DOMINION OF CANADA

OFFICIAL REPORT

OF

DEBATES

HOUSE OF COMMONS

SECOND SESSION—TWENTIETH PARLIAMENT

---

10 GEORGE VI, 1946

VOLUME IV, 1946

COMPRISING THE PERIOD FROM THE TWELFTH DAY OF JULY, 1946,
TO THE NINTH DAY OF AUGUST, 1946, INCLUSIVE

BEING

VOLUME CCLII FOR THE PERIOD 1875-1946

INDEX ISSUED IN A SEPARATE VOLUME



OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1947

CANADA

House of Commons Debates

OFFICIAL REPORT

Friday, July 12, 1946

The house met at three o'clock.

REPORTS OF COMMITTEES

Seventeenth and eighteenth reports of special committee on veterans affairs.—Mr. Tucker.

Second and final report of joint committee of the Senate and House of Commons on a distinctive national flag.—Mr. Harris (Grey-Bruce).

PARIS PEACE CONFERENCE

ATTENDANCE OF PRIME MINISTER—CANADIAN DELEGATION

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, I have told hon. members of the invitation extended by the government of France, acting in the name of the council of foreign ministers, to the government of Canada to send a delegation to represent Canada at the conference which will open in Paris on July 29, to consider the terms of peace with Italy and with Roumania, Bulgaria, Hungary and Finland.

The preparations for this conference have been a long time under way. The decision of the council of foreign ministers to convoke a conference is, in itself, evidence that the preparations have resulted in a substantial measure of agreement among the great powers.

The conference now arranged represents a further stage in the process of working out the treaties of peace. In this stage all the countries which have made their military contribution to the defeat of the axis powers will have an opportunity to express their views on the terms of the peace settlement, in so far as it relates to eastern and southern Europe. It is important to note that the proceedings of the conference which convenes in Paris on July 29 will be concerned only with a consideration of the terms of peace with Italy and with the axis satellites of eastern and southern Europe.

The Paris conference is not to be confused with a peace conference to determine the final settlement with respect to Germany. While the Paris conference is of importance in what it may accomplish in creating a more peaceful atmosphere in Europe, it will be concerned neither with the treaties of peace with the major enemy countries, Germany and Japan, nor with international problems as a whole, such as are the concern of the united nations. The plans for a conference respecting Germany and the date at which it may be held have still to be determined. It is not possible at the moment even to suggest a probable date. Nor, as I have said, will the conference which meets in Paris on the 29th instant be concerned, directly or indirectly, with the conference which presumably will be held ere long with respect to Japan and Pacific questions.

Although this is still one world, and its peace is indivisible, it is apparent that some countries are much more closely and directly concerned than others with the specific solutions of questions of territorial boundaries, population transfers, war damage indemnities, and so on. Such will be the class or kind of subject to be discussed at the forthcoming Paris conference. They obviously are of primary interest to the European countries. In these circumstances, Canada's principal interest and duty will, it seems to me, lie in helping the countries more directly concerned to work out agreed solutions which are fair, and will be likely to endure. Our national interest is to see that, as far as possible, the peace treaties are based upon broad and enduring principles of justice and equity. Canada is not seeking territory or reparations, but we do want a lasting peace. With this conception of our role in mind, and with the proceedings of the Paris conference restricted to the subjects I have outlined, the government does not feel that it would be either necessary or appropriate to have a large Canadian delegation.

63260—214

REVISED EDITION

38589

In particular, we have considered whether it would be desirable or necessary that Canada's representation should be along the lines of our representation at the united nations conference on international organization at San Francisco, which was concerned with bringing into being the charter of the united nations, and at the preparatory commission for the united nations organization which met in London in November and December last, and at the first part of the first assembly of the united nations which met in London in January and February of this year. On these occasions several members of the administration and representatives of national parties in parliament were present.

There are important differences between the organization and working procedures of a body, such as the assembly of the united nations, and a diplomatic conference such as that which is meeting in Paris at the end of this month. The united nations charter stipulates that each member of the united nations is to have five delegates and five alternates representing it at the general assembly, and the assembly is organized into a number of standing committees which meet simultaneously to discuss the disposition of the several items on the assembly agenda. The assembly and its committees are public deliberative bodies, governed by rules of procedure very similar to those followed in our own parliament. The assembly does, perhaps, contain within itself the germ of a world parliament. It is our hope that it will develop in strength and responsibility along these lines.

The Paris conference, on the other hand, is essentially a diplomatic conference, at which most governments will be represented by their foreign ministers. It is not yet clear how the conference will be finally organized for the transaction of its business. Considering the nature and history of the questions which are bound to come up for consideration, it is most improbable that the conference will conduct its business through a series of public committees reporting to a plenary session.

In considering Canada's representation at Paris, we have had to take these facts into account. We have also had to keep in mind the fact that our parliament is still in session, and that its proceedings may continue for some time. Account also had to be taken of the fact that the united nations assembly which adjourned in London in February will resume its meeting in New York during September.

The government, I might say, contemplates, for the meeting of the united nations assembly in New York, a delegation similar in its representative character to that of the delegation to the London meeting.

In the light of all these circumstances, the government feels, as I have already intimated, that the delegation to the Paris conference should not be any larger than the situation appears to warrant and to justify. I may add that, having regard to the significance of the conference, my colleagues share the view expressed by the leader of the opposition on Friday of last week, when he said that in his judgment the country would expect the Prime Minister to go to the Paris conference and that parliament would also expect this.

Quite frankly, I have been deeply concerned as to whether I should be away from parliament for a second time this session. I feel, however, that other countries to be represented at the conference, as well as our own, may also hold the view expressed by the leader of the opposition and by my colleagues. In coming to the conclusion that I should make every effort to go, I may say that I have been helped by the assurance of the leader of the opposition that during my absence he and his party would be disposed to facilitate the work of the house. I am accordingly making my plans to be in Paris in time for the opening meeting of the conference.

I shall have with me as a member of the delegation the Minister of National Health and Welfare (Mr. Claxton). I shall also have associated with me as members of the delegation a small staff including the under-secretary of state for external affairs, the clerk of the privy council and the Canadian ambassadors to France and the U.S.S.R. If, after my arrival in Paris, when I have full particulars of the organization of the conference, and of the rules of procedure to be followed, it should appear that, in Canada's interests, it would be advisable to have additional representation, I shall not hesitate to have matters arranged accordingly.

I have one or two other statements to make to the house, but if my hon. friends wish to raise any questions with regard to the statement I have just made I would defer making the other statements until after they have spoken.

Mr. JOHN BRACKEN (Leader of the Opposition): Mr. Speaker, I am aware and the house is aware that an announcement of this kind at this time is not debatable, and I appreciate the Prime Minister's indicating that we might wish to make a comment. I am sure Your Honour would have permitted it in any case. When the press intimated a

few days ago that the peace conference was likely to be held in Paris on July 29 I took the opportunity to indicate that I thought the country would expect the Prime Minister to go. Certainly we in this section of the house thought that he should go. I am glad to learn now that he has decided to go and I am sure the house will approve that decision, and the country as well. The occasion, it is needless to say, is a very important one for Canada and the world; and I believe all will agree that the Canadian delegation should be headed by the Prime Minister. I am sure we all wish for him every success in this important mission.

Right Hon. W. L. MACKENZIE KING (Prime Minister): I thank my hon. friend for the cordial manner in which he has received the announcement I have just made, and for his expressions of good will. I should like at the same time to thank hon. members generally for the gracious way in which they have received and approved the views expressed by the leader of the opposition.

UNITED NATIONS

RELIEF AND REHABILITATION—MEETING OF COUNCIL AT GENEVA AUGUST 5

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): I wish to say a word about an important conference to be held very shortly in Geneva. Some days ago I received from our ambassador in Washington a communication quoting a letter which had been addressed by Mr. LaGuardia, who is director general of UNRRA, to the ambassador, and which has since been forwarded to me. The letter addressed to our ambassador is under date of June 27, 1946:

My dear Mr. Ambassador:

The agenda for the forthcoming meeting of the UNRRA council includes an item regarding the future of UNRRA. There will in due course be circulated by the administration council documents bearing upon the several aspects of this problem on which decisions will be required.

I believe it to be of the greatest importance that delegations to the council meeting be fully prepared to discuss this question, and I am, therefore, sending to you for the information of your government an *aide memoire* drawing attention to the situation. I earnestly hope that your government will give immediate consideration to this document.

Sincerely yours,
F. LaGuardia,
Director General.

Mr. La Guardia also sent a personal letter to myself. It is under the heading United Nations Relief and Rehabilitation Administration, and is dated Washington, June 29. In this communication Mr. LaGuardia says in part:

I am now giving some thought to the work of the forthcoming UNRRA council session. I am convinced that the meeting will be of great importance since it must decide what, if any, future provision should be made for relief activities. I am sending an *aide memoire* to you and other heads of member governments on this point since I know it will be essential to face these issues squarely and get clear-cut decisions.

The meeting of the UNRRA council had been arranged at first to take place in Paris on August 2. Owing, however, to the meeting of the peace conference opening in Paris on July 29, the UNRRA meeting is to be held at Geneva on August 5. I may say, Mr. Speaker, that the cabinet has given careful consideration to the steps that should be taken in meeting the request of the director general of the UNRRA, and I have an announcement to make as to the manner in which we believe it can best be met, which I think will be warmly received by the house.

It will be recalled that the third council session of UNRRA determined provisionally that final UNRRA shipments should be completed by March 31, 1947. The principal questions for consideration at the forthcoming meeting will be the transfer or winding up of UNRRA functions in the field of emergency supply, work with displaced persons and in relation also to welfare activities in countries devastated by war. In each of these fields much has been accomplished, but many problems remain and it will be for the forthcoming council meeting to make proposals for the consideration of the governments as to how these problems can best be solved.

In view of the importance of the financial implications of the questions to be considered at this meeting, the government has arranged that the Minister of Finance (Mr. Ilsley) should himself attend the meeting at Geneva. The Minister of Finance will be accompanied by Mr. L. B. Pearson, our ambassador at Washington, who has taken a foremost part in the relief and rehabilitation activities of the united nations since their inception.

Hon. members are aware that my colleague the Minister of Finance has intimated at different times to fellow members in the house that he felt considerably fatigued as a result of the strenuous exertions he has had for many months past, and that he was contemplating an absence after the motion to go into committee of ways and means had been decided. He had that very much in mind, without having reached a decision as to just where he should go for the vacation to which he has looked forward, if it can be called a vacation. Having in mind the communica-

tions that were received from the director general of UNRRA, and realizing how very important this meeting will be, I felt, and so expressed myself to my colleagues, that the Minister of Finance might be able to get a bit of a change and rest on an ocean voyage en route to Geneva, and that perhaps he would be able to make better use of his time than otherwise would be the case if while away he had some active work to engage his attention.

Mr. GRAYDON: A busman's holiday.

Mr. MACKENZIE KING: At any rate, I have asked Mr. Ilsley if he would represent Canada on the council, and he has agreed to do so. I am sure I may say to him that the members of all parties in this house will welcome his willingness to assume this particular responsibility, and will hope he will at the same time be able to combine with it what is obviously desirable, namely, a much needed and well earned rest and change.

BUSINESS OF THE HOUSE

ARRANGEMENTS IN CONNECTION WITH ABSENCE OF PRIME MINISTER AND MINISTER OF FINANCE

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): I come now to the question of the affairs of the house, and of the ministers who will be acting in the absence of others, during the time that the Minister of Finance and I will be away from Ottawa. As the house is aware, when I have been absent on recent occasions, the Minister of Finance has been Acting Prime Minister. As Mr. Ilsley will not be here during my absence on this occasion, I have asked my colleague the Minister of Justice (Mr. St. Laurent) if he would take on the duties of Acting Prime Minister and he has agreed to do so. I assured him that if he were willing to assume the responsibility and the announcement were made to the house, he would see for himself, as he has now seen, how acceptable his decision would prove to be. In the absence of the Minister of Finance, my colleague the Minister of National Defence, Mr. Abbott, will be Acting Minister of Finance. The Minister of Justice, Mr. St. Laurent, will be Acting Secretary of State for External Affairs, as he has been on previous occasions, and my colleague, Mr. Mackenzie, the Minister of Veterans Affairs, will be acting president of the council and will also continue to exercise, in the very efficient manner in which he has in the past, supervision over the organization of the business of the house, as house leader. In the absence of the Minister of Health and Welfare (Mr. Claxton) the Minister of National Revenue (Mr. McCann) will be acting Minister of National Health and Welfare.

I should like to thank the house for the responsive manner in which it has received these several announcements.

AMENDMENT TO OLD AGE PENSIONS ACT

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): On Friday last, July 5, the hon. member for Winnipeg North Centre (Mr. Knowles) referring to the statement which I had just made concerning legislation still to be brought down by the government, inquired what the intention of the government was regarding an amendment to the Old Age Pensions Act; and he made reference to some promise that my colleague, the Minister of National Health and Welfare (Mr. Claxton) had made. I said that I would look into the promise. The hon. member referred to a statement made on June 24 by the Minister of National Health and Welfare in which it was indicated that it was proposed, during the present session, to have legislation introduced. Obviously a bill will have to be introduced at some time to continue in force the changes made in old age pensions under the War Measures Act. It had been the intention of the government to introduce a bill at this session.

In view, however, of the great amount of business still to be concluded at this session of parliament, the government suggested that the National Emergency Transitional Powers Act, 1945, should be extended for an additional forty-five days after the opening of the next session in order to make it unnecessary to reenact a considerable volume of emergency legislation at this session. It is the intention of the government to avail itself of this amendment and to delay the introduction of the necessary old age pensions bill until next session.

EXTERNAL AFFAIRS—OPPORTUNITY FOR DISCUSSION BEFORE PRIME MINISTER'S DEPARTURE FOR PARIS

On the orders of the day:

Mr. E. G. HANSELL (Macleod): May I direct a question to the Prime Minister? Will the house be given an opportunity to discuss external affairs before he leaves for the Paris peace conference?

Right Hon. W. L. MACKENZIE KING (Secretary of State for External Affairs): I say to my hon. friend that one of the regrets I have in being obliged to leave very soon is that there are some things that I should like to

do that it will not be possible for me to do before leaving, and the discussion of external affairs matters is one of them. Before I left to go overseas some time ago I arranged that the estimates for the Department of External Affairs should be placed before the committee dealing with external affairs. I understand the committee has had very full information given to its members with respect to the several items that come under the head of estimates, and which may be made to include, if so desired, pretty much all the subjects that are likely to come up for debate on the estimates of the Department of External Affairs. I should have liked very much to have the privilege of saying some things on external affairs that I have been anxious to say for some little time, but I am leaving on Wednesday of next week and I do not think in the interval I should break into the proceedings of the house in its debate on the budget in order to take up external affairs. Moreover, I cannot imagine anyone who is in a better position to discuss external affairs than my colleague the Minister of Justice (Mr. St. Laurent), who will be acting minister in my absence.

Mr. GRAYDON: May I ask the Prime Minister, before he closes the door entirely to bringing the estimates of external affairs before the house, to reconsider the matter in the light of the present circumstances?

REPARATIONS

INTER-ALLIED AGENCY—CANADA'S REPRESENTATIVES —ALLOTMENTS TO CANADA

On the orders of the day:

Mr. GORDON GRAYDON (Peel): I should like to direct a question to the Prime Minister in his capacity as Secretary of State for External Affairs. In view of the fact that news reports are reaching Canada relating to inter-allied reparations agency decisions, will the Prime Minister be good enough to inform the house who are Canada's representatives on this body, and what reparations from Germany in money or other property have been or are likely to be allocated to Canada?

Right Hon. W. L. MACKENZIE KING (Secretary of State for External Affairs): In answer to my hon. friend's question, of which he sent me a copy, I would say the Canadian government is represented on the inter-allied reparations agency in Brussels by the Hon. W. F. A. Turgeon, Canadian Ambassador to Belgium. The alternate Canadian delegate is Colonel G. W. McPherson, of the custodian's office, Department of the Secretary of State, at present serving as custodian representative on the Canadian military mission to Germany.

According to the final act of the Paris conference on reparations, to which the Canadian government is a signatory, Canada has been allocated 3·5 per cent of German assets under category A and 1·5 per cent of German assets under category B of the Paris conference on reparations. Category B assets include German industrial and other capital equipment removed from Germany and merchant ships and inland water transport. Category A assets include all forms of German reparations except those under category B. German external assets held in custody by the member governments and in neutral countries are assets of this category.

The Canadian custodian holds German assets to the extent of $6,485,204.26. Under the terms of the Paris agreement the Canadian government is authorized to hold or dispose of these assets, which are to be charged by the inter-allied reparations agency against the Canadian reparation account over a five year period.

From time to time lists of industrial equipment available for distribution as reparation to the member governments through inter-allied reparations agency are communicated to the Canadian government. Canada's share of assets of this kind is 1·5 per cent of the total available.

The inter-allied reparations agency has allocated most of the ex-German shipping available. Canada has been assigned 1·42 per cent of the tonnage amounting to some 10,797 tons made up of the ships *Huas Caran, Tiefland* and *Weserwehr.*

Mr. GRAYDON: May I ask the Prime Minister a supplementary question? How will the reparations which come to Canada, and to which the Prime Minister has referred, be distributed? What channels will be used for that purpose?

Mr. MACKENZIE KING: May I say to my hon. friend I am unable to answer him offhand but I shall seek to give him the answer in due course.

FISH

DOMESTIC ALLOCATION OF BRITISH COLUMBIA CANNED SALMON

On the orders of the day:

Hon. H. F. G. BRIDGES (Minister of Fisheries): For the information of the house and the public I would like to say that under plans which have now been worked out for the allocation of Canada's 1946 production of

canned fish, 500,000 cases of British Columbia canned salmon, or 24,000,000 pounds, will be made available to Canadian consumers from this year's pack. This is an increase of 200,000 cases, or sixty-six and two-thirds per cent, over the domestic allocation from the 1945 salmon pack. I may add that in making this increase in domestic allocation we have the concurrence of the international emergency food council, which has taken the place of the combined food board.

The house will recall that during the war years Canada sent nearly all its canned salmon overseas to help meet the critical food needs there. This year, however, it will be possible to take care of a much greater part of the domestic demand. Normal domestic demand runs to something more than half a million cases a year, but this quantity will at least be fairly well up to the usual requirements, and, as I have said, it is a much larger supply than has been available to Canadian consumers in any recent year.

Perhaps I should add a reminder that naturally it will be some months yet before this year's domestic allocation flows to market in volume and reaches the merchants' shelves. While salmon canning is now under way on the Pacific coast, it is in midsummer and on into the autumn that the big production takes place.

LABOUR CONDITIONS

STEEL INDUSTRY—PROGRESS OF NEGOTIATIONS

On the orders of the day:

Mr. CLARENCE GILLIS (Cape Breton South): May I be permitted to direct a question to the Minister of Labour of which I have given him notice? It arises out of several telegrams which I have received from Nova Scotia expressing great anxiety about the present steel dispute. Is the minister in a position to indicate to the house whether any progress has been made toward reaching a final settlement?

Hon. PAUL MARTIN (Secretary of State): As the house knows, the Minister of Labour is rarely absent from his seat at this time, but he is engaged in an important conference, and he asked me to say to the hon. gentleman that he has no final information on the subject.

CANADIAN PACIFIC RAILWAY EMPLOYEES—PENSION RIGHTS

On the orders of the day:

Mr. STANLEY KNOWLES (Winnipeg North Centre): I should like to direct a question to the Prime Minister. I sent him notice of this question two days ago, but at his request in view of the other matters that were before him I delayed asking it until to-day. When is the royal commission to be appointed to inquire into the matter of the pension rights of Canadian Pacific Railway employees involved in the 1919 strike, as requested over a year ago by unions representing the men, and as recommended to the government last December by Mr. H. S. Johnstone, conciliation officer of the Department of Labour?

Right Hon. W. L. MACKENZIE KING (Prime Minister): My hon. friend was good enough to write me a letter about this matter. May I say to him that unfortunately I have not had the opportunity thus far of reading the recent reports on the matter, or the representation of the Canadian Pacific Railway company. I should like the question to stand for my colleague, the Minister of Labour (Mr. Mitchell), to answer very shortly.

ARMY SUPPLIES

PRESS REPORT AS TO DISCARDING OF SHOES AND SLIPPERS

On the orders of the day:

Mr. GORDON GRAYDON (Peel): I should like to direct a question to the Minister of Reconstruction and Supply, in connection with which I have sent to him a copy of the Montreal *Star* of July 10, the day before yesterday, in which appears a news story accompanied by pictures indicating that thousands of pairs of serviceable army shoes and slippers are lying on the Wellington street dump at Point St. Charles. In view of what appears to be a serious situation I would ask the minister to make an investigation and give the house a report on the matter as soon as possible, if he is not able to do so at the moment.

Right Hon. C. D. HOWE (Minister of Reconstruction and Supply): Mr. Speaker, I have read the newspaper account sent across to me, and it seems to absolve both War Assets Corporation and the Department of National Defence. The report indicates that the material was dumped there by a private merchant. I shall make sure no government agency was involved, but beyond that I do not see what action the government can take.

Mr. COLDWELL: Cannot waste of that description be prevented?

NATIONAL FLAG

INQUIRY AS TO MOTION FOR CONCURRENCE IN COMMITTEE REPORT

On the orders of the day:

Mr. FREDERIC DORION (Charlevoix-Saguenay): I should like to ask the chairman of the flag committee when he will move in the house—

Some hon. MEMBERS: Order.

Mr. DORION: I should like to ask when he will move concurrence in the report he tabled to-day.

Some hon. MEMBERS: Order.

Mr. DORION: I think I am entitled to an answer. I am not asking the government; I am asking the chairman of the committee.

Mr. SPEAKER: Order. The report was tabled to-day, and as the hon. member knows, under standing order 45 some time must elapse before concurrence may be moved.

Hon. P. J. A. CARDIN (Richelieu-Verchères): Arising out of the statement you have just made, Mr. Speaker, in reply to the question of the hon. member for Charlevoix-Saguenay (Mr. Dorion), may I ask the Prime Minister if it is the intention of the government that such a motion shall be made later this day, and that the unanimous consent of those present in the house will be asked in order to do so?

Right Hon. W. L. MACKENZIE KING (Prime Minister): Do I understand my hon. friend to ask if there is any intention of having the motion made later this day? There is no intention to have a motion later this day.

THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed from Thursday, July 11, consideration of the motion of Right Hon. J. L. Ilsley (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Macdonnell, and the amendment to the amendment of Mr. MacInnis.

Mr. WILFRID GARIEPY (Three Rivers): Last evening, Mr. Speaker, in my desire to conclude my remarks before adjournment I neglected to reply to a couple of interruptions as I might have done. I shall do so now. To the hon. member for Argenteuil (Mr. Heon) may I say that upon investigation I have found that the school legislation adopted by the Anderson government in Saskatchewan has not been repealed or altered by the present Douglas C.C.F. government of that province. To the hon. member for Charlevoix-Saguenay (Mr. Dorion) I must say that on looking into the records I have found I am somewhat mistaken, in that he has seen the error of his ways oftener than I thought. I have discovered, and I must admit, that he has voted with the government oftener than I thought had been the case. For this good move I am satisfied his electors will be very grateful to him when the proper time comes.

Two hon. members from my province yesterday raised the question of clemency in connection with our youngsters who may have violated the Militia Act. In this connection let me read an article which appeared in the Ottawa *Journal* of October 31 last:

> In the united nation countries, it is recognized that the men who served on land, at sea, and in the air to defeat Germany, Italy and Japan have rendered a priceless service to humanity. But in Dublin, Mr. DeValera takes a different standpoint.
>
> By an emergency decree signed by Mr. DeValera himself, deserters from the Irish army who were absent from Ireland during the past five years for a period of more than six months will be barred from any government employment in Ireland for seven years and will be denied unemployment benefits . . .
>
> Admitting that these men committed an infraction of Irish military law in going to war for freedom, it would seem sensible and practicable to grant them amnesty—treat their war service as if they had been sent on special instructional courses—and use them to frame an army in Ireland which would really mean something.

Recently some military police have been in my own county putting their hands on a young man belonging to a well-known family. I am personally aware that the chief of police residing in my district has a list of a certain number of young fellows who are being looked for. I have visited the Longueuil camp not far from Montreal, where at the time I visited it there were over a thousand young men who were prisoners and treated as such. I am not going to plead, Mr. Speaker; I am not going to give any special reasons for what I ask. The war has been over for one year. I appeal to this house, to the country and to the veterans' associations of Canada to join hands, grant amnesty to our young men and let them make a fresh start for the welfare of Canada as a whole.

As to the budget, I accept it as it is, complimenting the Minister of Finance (Mr. Ilsley) on the magnificent work he has done. We have undertakings, we have debts, we have responsibilities that must be met. Mr. Brunet, assistant

general manager of Alfred Lambert, Incorporated, made a statement yesterday which seems to me to contain what I might have to say in connection with the budget. Mr. Brunet believes the present yield on capital after payment of taxes is not commensurate with the risk involved in industry; that income tax deductions from the salaries of employees affect their efficiency, because employees mistakenly hold employers responsible for the decrease in their salaries; and that delays in assessing income tax liability hamper industry. To remedy this situation Mr. Brunet suggests the abolition of the excess profits tax; determination of the date for giving back the refundable portion of taxes already collected, and a tax rate decrease of about 50 per cent on individual incomes of $3,000 and less, with a decrease of 25 per cent on larger incomes.

In connection with cooperatives, let me say that I have eight parishes in my own constituency. The cooperatives in those parishes are organized among farmers of good standing who, through their organizations, operate successfully. If the state interferes by putting a tax on them, their progress will be hampered. I have been requested to lay their request for exemption before the Minister of Finance. I am now waiting until the budget resolutions are debated to find out to what extent the views I have in mind are being met.

One other point to which I would refer in closing has to do with the harbour at Three Rivers. Last year the business at that harbour compared favourably with that done at other harbours in Canada. Statistics show that Montreal harbour handled 118,361,000 bushels of wheat, Halifax 14,762,000, Quebec 15,603,000 and Three Rivers 26,378,000. I have the figures for other harbours in Canada, but the ones I have given are sufficient to show that the business done at Three Rivers compares favourably with that done in other Canadian ports, and indicates that at Three Rivers we have a harbour of which we have reason to be proud.

Mr. Briggs, the manager of our local elevator, has said that our harbour is the basis of the future prosperity of our district. The visiting owner of an ocean liner used these words:

> Your harbour is one of the best in the world. I have travelled all over the seas. My boat has been everywhere, and I can give you a certificate that I was astonished to find in Three Rivers, between Montreal and Quebec, a harbour so modern and so easy of access, where a large boat like mine can land without any help.

The Gibb report, made at the request of the Bennett government in 1931-32, states this at page 31:

Considerable latitude should be allowed to the port managers so long as their activities are directed to carrying out the policy laid down by the central authority. It is essential to avoid emasculating the local administration, since no centralized control can replace an efficient and active local administration, or the special knowledge and initiative of the local business community, both of which are vital to a port's prosperity.

For this latter reason I strongly advocate a local advisory council. There are very many aspects of port working which such a council can properly care for, such as the representation of the interests of private wharf owners, of local merchants and distributors, of local consignees and exporters, of the labour view, and of the attitude of boards of trade, chambers of commerce, corn exchanges and other such trade organizations, in addition to shipping.

It serves very usefully to identify the community with the port; and to secure the support and interest of local members of parliament, the city council, or provincial government in schemes, and so anticipate and meet criticisms from any such quarters, or action that might be prejudicial to the port.

It is invaluable in exploring the possibilities of local markets, in carrying out advertisement and propaganda and in cooperation with interests likely to promote industrial developments. Finally, a local council provides a useful check on the tendency of more or less permanent officials to become stereotyped or arbitrary.

The port manager would be ex officio chairman of the council, which would meet regularly and be consulted on all such matters as proposed developments, alterations in rates, important changes in operation. The members of the council should have the right of initiating discussions on matters of policy affecting the port, on any complaints raised by users of the port, and on questions of rates, charges, etc.; but not on any purely executive matters, and they would have no executive duties or powers.

The advisory council's proceedings and recommendations would be submitted to the central authority, and they should have the right of direct access to the central authority, but not to any other department of government.

The council should be sufficiently large to include all important interests and to ensure that its recommendations will be characterized by a broad outlook. Its composition should include the representation of the following interests:

Provincial government; municipalities; board of trade; railways; shipping; Department of Trade and Commerce; merchants, corn or other exchanges or organizations; dock labour.

I shall point out to the Minister of Transport (Mr. Chevrier) that this requirement has not been lived up to. In the old days we had a local organization composed of Three Rivers business men. These were leading men in the community who served without salaries and who gave their time and energy to furthering the interests of the harbour. That system was discontinued. We now operate under the administration of a central national harbours board. This national board, efficient as it may be, is composed of three men who reside in Ottawa and who have only a limited knowledge of conditions down my way. They

act through an official who to some extent is protected because he has been appointed by the civil service commission and therefore cannot be removed from his office. He is a little czar in his realm. I am not suggesting that he is making too many mistakes, but I am saying that through him the requirements set out in the Gibb report should be resurrected and enforced.

I want the government to understand that with the advantages offered by the harbour of Three Rivers, with the possibilities of development found there, it should be helped in the way I have mentioned, namely by the aid of a local advisory board who would follow up developments and give advice on whatever might be done for the advancement of the interests of that port.

Mr. MacNICOL: The hon. member is right.

Mr. GARIEPY: May I lodge another small grievance? The family allowance provisions are effective in my part of the country, as in others. Moneys have been distributed, but in this matter of distribution I believe there is cause for some complaint. Possibly for reasons of economy, or because of the newness of the system, the department has only one general office for the whole province of Quebec, so far as the administration of family allowances in that province is concerned. This is neither practical nor effective. Three Rivers is situated centrally in the province. Families drawing these allowances are generally poor, and many are not educated. The idea is new, and frequently investigations are necessary. The people need help, and they write to Quebec, Montreal or Ottawa. Many cases have not received attention for weeks or even months, and I say this is an improper practice. It would not be more costly to have at Three Rivers a local office from which the ten or twelve surrounding counties could be served. The same applies to the administration of the income tax. At present there is only one general office in Montreal, and one can well imagine the volume of correspondence flowing to that office.

It is true that some officials travel, but their visits are hasty and they do not long remain at one point. If, as we must, we are to continue collecting income tax, then it should become a part of the system to have local offices in different districts. I am not suggesting that there should be an office in every county or in every town. But for those in Three Rivers to have to seek information from Montreal or Quebec is placing the people of that city at a disadvantage, and is a condition which is not conducive to good results.

Anyone who travels through Quebec, as does the hon. member for Davenport (Mr. MacNicol), will have noticed that the section between Montreal and Quebec is somewhat segregated. Running north from Three Rivers we find places like Shawinigan, Grand-Mere, and La Tuque, where one reaches the main line of the old Grand Trunk Pacific railway. Then, coming south one reaches points such as Nicolet, Victoriaville, Drummondville and Sherbrooke. From there one approaches the boundary line and the connections with areas south of the border.

At Three Rivers we are in the centre of the power area. Shawinigan Falls was the first power development project in Canada. Even to-day a million more horse-power could be developed if the factories were in existence to warrant it. This great power development is only about twenty miles north of my constituency. In the area are half a dozen paper companies. It is the world's centre for paper manufacturing, and we have the biggest mill in my own city, shipping its products day in and day out. It ships by water in the summer, and also by rail, one route going around by Montreal and the other by Quebec. The St. Lawrence river is very wide at that point and the ferries have been inadequate. There does not seem to be any practical way to get crossings that will give satisfaction. In that district there is eighty miles or so of first-class farming country, but it is not doing as well as it might if more attention were paid to it. I am not blaming anybody for that, but you know how it is. In the old days I lived where my hon. friend the member for Peace River (Mr. Low) resides, and I remember that Edmonton and Calgary were taking everything and the poor little town of Vegreville and the poor little town of Red Deer did not get much. Up to the present Montreal has been asking for a lot, and when it has not been Montreal it has been Quebec.

This country must go ahead and we must get busy to produce the best results. We have a large debt to pay. We want our people to get returns for their work and for their abilities. The centre of our province can and should be opened up, and it would then provide ample revenues. We have a gold mine lying dormant there. What is required?

A request was made not long ago, but dropped, to build a bridge between Quebec and Levis. There has been agitation also for a bridge between Montreal and Longueuil on the south shore of the St. Lawrence. For two hundred miles there is no bridge across the St Lawrence between Montreal and Quebec, and in the summer you will see on both sides of the river hundreds of automobiles waiting

for a chance to cross. Is that right? Is that proper? I say no. For various reasons a bridge must be built across the St. Lawrence between Three Rivers and thereabouts and the south shore.

Mr. MacNICOL: That is right.

Mr. GARIEPY: That bridge will give connections and open up trade. It will give access and satisfaction to a great number of people. There are miles and miles of territory on the south shore which can be used by new industries. Industries can no longer go into the large centres because of the taxation and obligations of one kind and another, but in the territory I speak of there is room for industrial expansion, and at this time when money is plentiful and our business men are looking for new openings it is the duty of this government to invite the cooperation of the provincial government and of the municipalities and of the two railways, the Canadian Pacific and the Canadian National, both of which are interested in crossing the St. Lawrence near Three Rivers, so that all these bodies can get together to promote the building of such a bridge. It would provide work; it would give encouragement to the people, and it would meet a necessity. Now, when things are at a low ebb, and we are looking for something new and bigger, this is a project that should receive the attention of the government and of the best brains of the country to the end that a bridge may be built in the near future.

Hon. DOUGLAS ABBOTT (Minister of National Defence): Mr. Speaker, I think it is some two years since I took part in a budget debate, but I always enjoyed it. The nature of some of the opposition criticism during the present debate has made me feel that I want to get into the ring again.

The main line of criticism taken by hon. gentlemen opposite has been twofold: first, that the reduction in taxation provided for in this budget is inadequate and niggardly, to use the term used by some of the press supporting hon. gentlemen opposite; and in order to support their thesis, seeing that the budget shows a deficit of some $300,000,000, they contend that government expenditure is extravagant and reckless and must be reduced. If they did not contend that, of course, they would be advocating either more borrowing or inflation, and while some would like to borrow more, on the other hand they do not care to advocate that openly.

Before I deal, as I propose to do, with the main heads of expenditure, I want to point out to the house what it already knows, that the estimates have been before the house for some two months now. The items of some of the more important departments, including agriculture and national health and welfare, and a substantial part of the estimates of the Department of Justice, have been considered in detail, and so far as I can recall the only suggestion made by hon. gentlemen opposite for a specific reduction in expenditure was in one of the items of the Department of National Health and Welfare, where they criticized a proposed expenditure of $300,000 to see that an expenditure of some $273,000,000 was properly made. On the other hand there have been numerous suggestions that expenditures should be increased. I asked someone in my office to prepare a list of the suggestions that have been made by hon. members opposite for increased expenditures. The job is a big one and it is not completed yet, but I can assure the house that it will be an impressive list when it is finished.

The total estimated expenditure this year is $2,769,350,000. Of that amount $1,515,846,000 is for demobilization and reconversion. I am prepared to concede that there may be items in those estimates which can and should be reduced. In my own department, for instance, we have estimated that some $488,000,000 will be required for the three defence services this year, but because demobilization is proceeding more rapidly than we had anticipated and because of our continued efforts to effect economies I believe that this amount will be reduced. On the other hand I believe that the expenditures for veterans' benefits will be somewhat above those that have been estimated.

Of this total of roughly, $1,500,000,000, close to $700,000,000 will be for veterans' benefits in one form or another. Another $400,000,000 odd will be for the three defence services. The house will appreciate that the balance represents either necessary demobilization or reconversion expenditures, which, while I hope they may be reduced, cannot, I believe, be substantially reduced.

Coming to what might be described as the ordinary expenditures of government, they total $1,253,504,000. In that $1,253,504,000 there are a considerable number of items of expenditure which can be classified as absolutely uncontrollable and a number of others which are relatively uncontrollable. I am going to break that figure down.

Public debt charges amount to $481,207,000. Pensions, superannuation, et cetera, amount to $76,985,000. There is no possibility of reduction in either of those two items.

Subsidies and payments to the provinces under the taxation agreements amount to $99,062,000. There is no possibility of reduction there.

Unemployment insurance amounts to $20,432,000. I do not know whether hon. gentlemen opposite would suggest that that should be reduced, but I do not believe it could be reduced to any considerable extent.

For the Post Office Department the amount is $60,455,000. Admittedly that is only relatively uncontrollable, but it is a service department, and while it might be possible to effect some economies I do not believe the expenditure can be substantially reduced.

The Department of National Revenue shows another large expenditure, $26,062,000. I would point out to the house that while that is substantially higher than the year before the war, that department is charged with the collection of revenues amounting to some $2,600 million. That is not out of line with the work involved.

There are other expenditures totalling $6,097,000 which include amounts payable under the Prairie Farm Assistance Act. Hon. gentlemen opposite do not suggest that these expenditures, which amount to $3,000,000, should be discontinued. There is some $2,000,000 included in this total for cheese and cheese factories, and I understand that these payments have been effective for some time. Certainly no suggestion has been made that these should be reduced. There are sundry others.

We have family allowances, $250 million. I have heard no hon. gentleman opposite suggest that these payments should be discontinued or reduced. Finally there are payments under veterans affairs which amount to $58,320,000 exclusive of pensions. These include such matters as hospitalization grants, pensions under the Veterans Allowances Act, soldier settlement board expenses, Veterans Land Act, and the like. From my limited experience in the veterans affairs committee I have not been led to believe that there is any persistent or extensive demand among hon. members of the official opposition, or for that matter elsewhere in the house, that expenditures of this kind should be reduced.

Those total $1,078,620,000 in round figures. If you take that figure and deduct it from the figure of $1,250 million which I mentioned at the outset, you are left with the more or less controllable expenditures of government amounting to $174,884,000. That is an increase of some $62,700,000 from the corresponding comparable figure for the last pre-war year of 1938-39, which was $112,200,000. At first sight that figure may seem somewhat large, but there is a good explanation for all these increases. I am not suggesting that no effort should be made to effect further economy, but I do not believe it will be possible to effect substantial economies and maintain efficiently the services of the country.

I come now to the main items which make up this increase of $62 million odd. The first and largest is the cost of living bonus to government employees, which totals in the neighbourhood of $20 million. Perhaps I should not prophesy, but I think it is fair to say that that will become a permanent part of the government wage structure. There is assistance to agriculture which cost $4,200,000. The increase in external affairs is over $3 million, but that is consistent with our greater stature as a nation, the additional legations we have opened, and the added representation we have abroad. Department of Finance is up $5,300,000, largely because of increases in the cost of operating the office of the comptroller of the treasury, due to the vastly greater expenditures which it is necessary he should supervise.

Mines and Resources and Public Works are both up substantially, but those are departments which cut their maintenance operations to the bone during the war. The increase of $5 million in the case of Mines and Resources, and some $20 million in the case of Public Works, represents largely deferred maintenance. Expenditures of the Department of Transport are some $5 million higher, due largely to deferred maintenance and the construction of terminal facilities for the Prince Edward Island car ferry. Finally, the expenditures of the Department of Trade and Commerce are $3,900,000 higher, owing largely to increases in the operation of trade services.

Taking $200 million as a fair estimate of the really controllable portion of our expenditures, if we were to cut those twenty per cent it would amount to $40 million. I do not believe it would be possible to cut them twenty per cent and maintain efficiently the services of this country. But if it were, it still would not be possible to balance the budget. Moreover, I suggest to members of the house that in total expenditures of some $200 million to cover the ordinary services of the government there is little justification for the charges of reckless and profligate expenditures, which were the adjectives used by the hon. member for Lake Centre (Mr. Diefenbaker).

Mr. DIEFENBAKER: They have not been changed after hearing the statement of my hon. friend.

Mr. ABBOTT: The facts speak for themselves. The hon. member for Muskoka-Ontario (Mr. Macdonnell), who is the financial critic for the opposition, reproached the Minister of Finance (Mr. Ilsley) when he rose to speak after the minister had completed his budget address for not using the word "economy" in the course of his speech. I hold in my hand an extract from the Montreal *Gazette* of May 16, 1945. It is entitled, "Bracken's Charter for a Better Canada." It reads:

The following is the text of a declaration of policy for the Progressive Conservative party, by John Bracken, as given in a speech delivered in Ottawa, last evening, in the Glebe collegiate auditorium.

I have been through this statement carefully, and if I may paraphrase the remarks of the hon. member for Muskoka-Ontario, I have been unable to find any use of the word "economy" in that impressive document. But I do find a great many references to proposals which would involve substantial expenditures of public money. If I may, I should like to state a few of those to the house.

Mr. GREEN: What date is that?

Mr. ABBOTT: This is dated May 16, and it is apparently the text of an address delivered the night before by the leader of the opposition (Mr. Bracken) in the Glebe collegiate auditorium in Ottawa.

An hon. MEMBER: An election speech.

Mr. ABBOTT: Yes. I quote:

Members of the armed forces, except at their own request, will not be demobilized until they have jobs at proper rates of pay. On the basis of this policy the first-in-first-out principle will apply.

Then follows a long list of suggestions for increased payments to veterans, which I may say have been more than implemented, so far as I have been able to see, by legislation either now before the house or to be brought before the house within a few days. Under the heading "Youth of the Nation" this text states:

To broaden opportunity, we will encourage through grants the development in our secondary schools of specialized training for primary industries such as agriculture, mining, forestry and fisheries. We will provide financial assistance to enable our young people, according to their abilities, to receive advanced technical or professional training in our universities, at home or abroad.

Some expenditure involved there.

Mr. JACKMAN: Would you not expect more production if you had them trained?

Mr. ABBOTT: I am talking about expenditures at the moment.

[Mr. Diefenbaker.]

Mr. JACKMAN: If you have more production your taxation brings in more.

Mr. ABBOTT: The report continues:

We believe in and will encourage a nationally uniform system of recreation and cultural centres. These will be extended to the rural areas through assistance in the erection of community centres.

Then under the heading of "International Trade":

A general overhaul of the Department of Trade and Commerce to convert it from a junior and unnecessary arm of the diplomatic service to a live department responsible for organizing, with exporters themselves, the sale of Canadian goods in the markets of the world.

Mr. HAZEN: Is there anything wrong with that ?

Mr. ABBOTT: Not a thing, except that it involves expenditure. I do not quarrel with any of these; my point is that they all involve expenditure. I continue:

The establishment under the auspices of and at the expense of the department of training courses for young war veterans to become salesmen of Canadian goods in foreign countries.

The establishment of an export board with power and authority to determine and pay whatever difference may exist between a fair Canadian price and the actual world market price on approved items of export selected with a view to maintaining a balanced Canadian economy.

In other words, export subsidies. Here is one to which I should like especially to draw the attention of the house:

We recognize that in the period of adjustment after the war there must be a continuation of the principle of "mutual aid." Further, we recognize that in order that world trade (so essential to Canada's welfare) may expand, it will be necessary for Canada as a surplus producing country, and a large exporter, to give a lead in stabilization of international trade. In addition, Canada must be prepared to give long-term trade credits to Britain and also, in proper cases, to devastated and economically backward countries—thus building up customers for our goods.

Some hon. MEMBERS: Hear, hear.

Mr. ABBOTT: I am glad to hear hon. gentlemen say "Hear, hear". When I read that statement, and when I recalled the speech made by the hon. member for Muskoka-Ontario at the time the loan to Britain was before the house, I was astounded to read a statement which appeared in the Montreal *Gazette* yesterday, Thursday, July 11, 1946. My hon. friend the leader of the opposition has not yet spoken in this debate, but he made a speech over the radio the other night and this is what he said as reported by the *Gazette,* the reporter being Mr. Mears:

The opposition leader was critical of the export credit policy. This year, we are being asked to dig into our pockets for $2,700,000,000 of taxes and in addition to go into debt another billion dollars—what for? Not to buy things for ourselves, but—think of it!—to pay for our own exports to ship away to other countries. We can never have permanent prosperity in this country by continuing to pay out of our own pockets for our exports to other lands.

The member for Rosedale (Mr. Jackman) the other day likened the Minister of Finance to John Bunyan's Mr. Facing-Both-Ways. May I suggest that he might have found a better example for that description a little nearer home. If I may continue with some more of these "economy" measures, Mr. Speaker, and I quote:

To make these rights real and effective, we shall establish a national development board to include leaders of business, labour, agriculture and government. The board will have the responsibility of working out plans for full production and employment as well as the preservation of our natural resources and the construction of projects in the public interest.

When I read that I almost thought I was reading a part of the C.C.F. manifesto. Under the same heading, that of workers, I read:

We shall provide a uniform and comprehensive security plan for all Canadians, including: extended unemployment insurance coverage; accident and sickness benefits; children's allowances; maternity benefits; widows' benefits; retirement pensions; increased old age pensions at age 65.

And may I interject here that in a speech at Kenora, and elsewhere as well, the leader of the opposition indicated that what he and his party advocated was an increased pension of $30, payable at the age of 65, without a means test, to all Canadians. My information is that that would involve an additional expenditure of at least $300,000,000 a year.

An hon. MEMBER: If we had an agreement with the provinces.

Mr. ABBOTT: He did not refer to that in the course of his speech, nor did he refer to it anywhere in this charter.

Mr. KNOWLES: Are you opposed to that?

Mr. ABBOTT: Never mind whether I am opposed to it or not; at the moment I am dealing with the proposals of the official opposition as set out by them in this document. To continue:

Where social services are administered provincially, we shall provide grants large enough to ensure adequate standards of social security to all Canadians.

I pause here to interject that while there has been no official statement by any member of the official opposition in this regard, many of my Conservative friends have stated to me that all these social security measures are so much nonsense, that they are not in favour of them, and that the sooner we get rid of them the better. They are sincere and genuine in that belief. I do not question their right to express their opinion on that point, but I would appreciate it if their spokesman in the House of Commons would be equally frank.

Mr. GREEN: Was that down on St. James street?

Mr. ABBOTT: Yes, some of it was on St. James street. Then, with regard to a national health programme, this statement appears:

Therefore, pending the setting up of this national health programme, we will make grants to all the provinces according to standards and in amounts to be agreed upon, so that they may work out health programmes of their own.

Then further:

In cooperation with the provinces, we will set up a dominion-wide farm rehabilitation and soil conservation plan. We will reestablish a natural products marketing act. We will appoint a board of live stock commissioners in which shall be vested power to regulate and direct all aspects of live stock marketing in somewhat the same manner as the board of grain commissioners regulates the handling of wheat.

Then with regard to the fishermen:

We pledge ourselves: to enact legislation to assure our fishermen adequate basic prices.

Again:

Establishing an export board to ensure a fair price to Canadian exporters of natural products and manufactured goods.

Then, a further proposal:

Encouraging great expansion in the fields of industrial and scientific research, supported at every stage by financial aid from the dominion government.

Under the heading of natural resources there appears this:

Our policy will be based upon the principle of managing, developing and conserving our natural resources so as to achieve the greatest possible annual return from them consistent with their preservation as a continuing source of wealth for future generations. To this end we will make provision for generous financial assistance from the dominion to the provinces to aid them in planned development and conservation.

Mr. FULTON: A thing you failed to do.

Mr. ABBOTT: Passing over the question of abolishing the fee for radio licences, because that was part of Doctor Manion's platform too, I come to the following:

This party will see that the financial resources of the dominion will be used in the clearing of slums and to provide subsidized housing for those in the lowest income group. We will initiate a large-scale housing programme to supply the new homes so urgently needed throughout Canada. For that purpose we will enlist the cooperation of the provinces, the municipalities, the building trades, the construction industry and private investors.

Well, that is a fairly comprehensive list and if hon. members care to look at it they will find, as I have found, that there is no mention of economy throughout the whole document. Bracken House did pretty well on that charter, but they overlooked the feature of economy.

Now I come to a more recent date. Last March, just about the time the house opened, the Progressive Conservative Association of Canada, at its annual meeting in the city Ottawa at the Chateau Laurier, passed a number of resolutions, publicity as to which was given in the newspapers. I asked my office the other day to get for me a copy of these resolutions, and I have it here. It is entitled:

Appendix B to the minutes of the annual meeting of the Progressive Conservative Association of Canada, 1946.

That was the meeting at which my hon. friend the financial critic of the opposition, the hon. member for Muskoka-Ontario, was elected dominion president of the association—and may I observe, in passing, that a very excellent choice was made by the party in that regard. There are twenty-seven resolutions. The first deals with leadership, the second with appreciation of Progressive Conservative members—well deserved, I am sure. The third deals with press and radio, the fourth with farm prices, the fifth with bureaucratic controls, the sixth with taxation, the seventh—

Mr. GRAYDON: Are you passing over bureaucratic controls?

Mr. ABBOTT: I will read that, gladly.

Mr. GRAYDON: Yes, read it.

Mr. ABBOTT: I will read it with pleasure:

We are opposed in principle to the continuation of other wartime wage and price ceilings and to restrictive controls. With very few exceptions we demand their immediate removal.

Mr. ILSLEY: Would you like to have it read again?

Mr. ABBOTT: That was resolution No. 5. Under the heading of taxation they say that every citizen of Canada should bear his fair share of the burden, and so on; and they state:

(3) That income taxation be such as to provide that tax exemption for single persons should be raised to $1,200, and for married persons to $2,000.

That, no doubt, is commendable, but I am informed that it would involve an additional loss of revenue of some $325,000,000, and this added to the $300,000,000 that would be involved in the increased expenditure for old age pensions, making some $600,000,000 in all, shows how close to balancing the budget my hon. friends opposite would have been had the electorate of the country showed such poor judgment as to return them to office.

There is a resolution concerning "women". I will not read what is there set out. Among other things, they want more women appointed to the senate. Resolution 10 is an elaborate one, it has to do with veterans' affairs. But, as I say, most of the recommendations in that resolution, and perhaps more, have been implemented. There is a resolution about old age pensions which repeats what was in the charter. Then follows a resolution on social security, which reads as follows:

Be it resolved that we reaffirm the position stated by the party in the Winnipeg platform, that Canada should include a comprehensive body of social security measures in a unified system.

Resolution 14 has to do with national soil conservation. It reads as follows:

Whereas the operations of the Prairie Farm Rehabilitation Act have proved of great benefit to the prairie region of western Canada; and whereas every province has its own peculiar problems of soil conservation and farm rehabilitation; therefore be it resolved that this association urge the government to expand the Prairie Farm Rehabilitation Act into a national soil conservation and farm rehabilitation act and extend its activities to all the settled farm areas of Canada.

Resolution 20 deals with scientific research. Other resolutions deal with cattle embargo, floor prices, and so on, which I do not think involve any added expenditure. Resolution 20 reads as follows:

Be it resolved that in view of the fact that science played such an important part in the winning of the war, and in view of the fact that our survival in the days which lie ahead will depend primarily on our progress in scientific research and invention: We therefore urge the government to expand the research facilities of the national research council and provide further grants to the provinces for scientific research.

Resolution 21 deals with the tourist industry, educational services to point out to private enterprise the opportunities of the tourist trade, and the latest methods of conducting such business, being advocated.

Resolution 26 is a special one; it deals with Prince Edward Island transportation. It reads as follows:

Be it resolved that continuous all-the-year round transportation for passengers, freight, trucks, buses and vehicles to and from Prince Edward Island be provided immediately at the expense of the dominion government; and that the increase of cost of moving motor vehicles, as well as farm products and other freight, by truck or rail, occasioned by this water route, over the normal cost of moving freight for the equivalent mileage on land, be borne by the government of Canada as a matter of national policy.

Finally resolution 27 deals with the Peace River outlet. It reads:

Be it resolved that this association urges the construction of a rail outlet to the Pacific coast, for the Peace River district.

These are desirable objectives, no doubt, but none of them involves any reduction in expenditure, and the word "economy" does not appear in this document either.

In his budget criticism the hon. member for Muskoka-Ontario used a picturesque phrase. I am sorry he is not in his seat this afternoon, but he told me yesterday afternoon that he had to be in Montreal to-day. He said, as reported at page 3215 of *Hansard*:

Is that the reason no mention of economy was made at the dominion-provincial conference or here in this house? I think it is fair to say that the talk was tax, tax; spend, spend; borrow, borrow, but never save, save.

That is a delightful phrase; but I suggest that it would have been happier if my hon. friend had thought of it when he was elected president of the national Progressive Conservative association, and when these resolutions were being adopted. But of course the conditions were completely different at that time, and perhaps he is to be forgiven for its not having occurred to him under those circumstances.

My only reason for doing this, Mr. Speaker, is to attempt, if I may use a slang phrase, to debunk all this talk about reckless and extravagant expenditures on the part of the government. I can make an assertion as well as the next man, and I say that these charges of extravagance and reckless expenditure are totally unfounded. I go further and say that the fiscal record of this government during the last six years, throughout the period of the war and to-day, will not only compare favourably with any other country in the world, but is better.

Mr. MacNICOL: Does not my hon. friend think that that is a reckless statement?

Mr. DIEFENBAKER: The recklessness continues.

Mr. ABBOTT: I think it was Edmund Burke who said that it is not possible to tax and be loved. Perhaps that is true, but I suggest, Mr. Speaker, that it is possible to tax and be respected for imposing those taxes. I believe that is the position in which the Minister of Finance finds himself to-day. I was struck by a remark which was made to me by a friend of mine in Montreal—and he is also well known to the hon. member for Muskoka-Ontario. I met him on the Saturday morning, two days after the budget was brought down, and he said to me: "Well, judging by some editorial comment that I have seen and some talks that I have had with some of my friends, I am one of the few men who like this budget; but as a man who has bought all the victory bonds he could afford during the last six years I say, thank God we have a minister of finance and a government that is not afraid to tax."

Mr. H. R. ARGUE (Wood Mountain): We have all listened with interest to the able speech presented to the house by the Minister of National Defence (Mr. Abbott). He shines best when he criticizes the Conservative party, because in that criticism he is always right. But in my opinion he does a poor job of substantiating his own case.

Mr. GRAYDON: He did not have a case.

Mr. ARGUE: The minister can rest assured that the members of this group are not going to make the burden of its criticism that there has been much wasteful government expenditure. While no doubt some economies could have been made in different places—I am sure that all members on this side of the house will agree that it might have been possible—nevertheless what the people of Canada need is plenty of expenditures in the right place at the right time.

In my remarks this afternoon I shall attempt to deal in the main with the speech which was ably delivered by the Minister of Finance (Mr. Ilsley). Throughout his whole speech the minister referred again and again to what he thought were prosperous conditions in Canada to-day. He said he considered Canada more prosperous and further along the road to reemployment and reconversion than we could reasonably have expected last August. He said that we are enjoying a level of employment and prosperity that we had never experienced before in peace time. He then went on to show the main props that are under what prosperity we have at this time. What hon. members are attempting to do is to see that the props under what prosperity we have at this time are sound, secure and likely to be durable, because if they are not durable, then it goes without saying that the prosperity will not last long.

I believe we should attempt to analyse economic conditions in Canada to see if indeed we have prosperity at this time. Certainly if the great masses of the Canadian people are not receiving sufficient incomes to enjoy a high and decent standard of living then the so-called prosperity we have is nothing in which we should take pride. We should attempt to decide in our own minds if government policies are moving in fact toward greater prosperity in the nation.

The Minister of Finance rested his case that there was prosperity in Canada upon three main items. He said that our income from export trade is the most important factor determining our prosperity and employment in peace time. Certainly I do not think our exports are a large factor in maintaining prosperity at this time. It is not exports as such; it is government money that belongs primarily to the people of Canada, which is being lent to other nations so they may buy our exports. What prosperity we now have in Canada does not depend principally on exports but on Canadian income which is advanced for payment of those exports, and which eventually finds its way into the hands of Canadians.

I think, too, we should look at what is happening to export trade. If our volume of export trade is going up, then I think we can be reasonably sure that export trade will continue to be a substantial factor in maintaining prosperity as it might be defined at this time. In April, 1945, the export trade index for Canada stood at 312. In April, 1946, the index was 178. Within one year, comparing April, 1945, with April, 1946, the value of export trade from this nation has fallen by 43 per cent. Surely, if we are looking to the value of our export trade as the most important prop to maintain prosperity, it is a very weak prop; and it is 43 per cent weaker this year than last year. If we are to tie our prosperity to the shipping of the real assets and real wealth of Canada out of the country to other nations, we shall not have prosperity at all. Prosperity in Canada depends upon the incomes of Canadians and the goods they are able to buy with those incomes. Export trade, to be a factor in maintaining prosperity in Canada, must be used with the object of obtaining imports to Canada which will then add to our prosperity. If, in effect, we are to have imports coming into Canada in exchange for our exports it is not sufficient that our income remain at the present level. The Canadian income must go up continuously so that the people of this nation will be able to buy the increased volume of exports other nations will be prepared to send to Canada.

The minister said another of the main factors supporting a continuation of prosperity in Canada was the large savings of the people. It was pointed out by the hon. member for Vancouver East (Mr. MacInnis), far better than I could do, that the amount of savings in the chartered banks, held by the average Canadian, is not large. According to the report of the chartered banks of October 31, 1945, some 5,616,712 people had deposits in the Canadian banks; and of that number almost five million held deposits of less than $1,000, averaging only $173.50 each. Those savings, to the extent of $173.50 for each of five million people, are not going to be a large or important factor in maintaining what prosperity we may have in Canada. A report has been made by the federal reserve board in the United States showing that savings in that country are not large, that in effect they are not held by people likely to spend them on automobiles, radios, refrigerators, washing machines and household appliances. The pent-up demand that manufacturers, distributors, wholesalers and retailers have been banking on to take up the slack of higher prices during the next twelve months, according to the report, is largely illusory. I do not think it can be successfully argued that, on the whole, Canadians have a greater proportion of savings than the people of the United States. Certainly, according to the survey made over there, those savings are not going to maintain prosperity for very long.

The third prop under what prosperity we have at this time, according to the Minister of Finance, is capital expenditure; but according to the James committee it will take capital expenditures of $1,500 million annually to maintain full employment in Canada. According to a report coming from the Department of Reconstruction this year, only some $1,200 million is being devoted to capital expenditure. So we see that this year private enterprise is not making the large capital expenditure necessary for full employment. The April index of physical volume of business in Canada was 232 in 1945 and only 193 in 1946. So that within that period of one year our volume of business dropped by 17 per cent. According to the statement of the Minister of Finance, the income of the Canadian people in 1946 is running at least three-quarters of a billion dollars less than in 1944. I say to this house that we are not maintaining the prosperity we had two years ago. The volume of purchasing power that people have to spend is not being increased and the physical volume of business is going down.

We should not assume, however, from the fact that the physical volume of business is falling that the corporations in Canada are not faring very well. In April, 1945, dividends declared mounted to $16,612,000, while in April, 1946, they were $20,808,000. The corporations who are producing only to such an extent that the volume of business is decreasing have found it possible to make some $4,000,000 more in dividends in April of this year than they made in April of 1945. Figures for the

month of May are much the same; this year dividends were 7·3 per cent higher than in May of last year. But though big business is not maintaining full employment in Canada; though this year it is making higher profits than last year, in his budget proposals the Minster of Finance is saying to the corporations, "Next year you can make more profits. You shall have your corporation tax reduced by 20 per cent." Then the corporations can afford to produce even less, because they will have a larger margin of profit. So that every time the corporations are given tax relief they find it possible to withhold goods from the market, and they do so, in order to make extremely high profits.

As I said at the outset, the minister stated over and over again that we are enjoying a large measure of prosperity in Canada at the present time. Figures coming from the Department of National Revenue show that the average income in Canada in 1945 was $25 less than in 1944. More than that, in 1945 there were 85,000 fewer people in Canada who earned sufficient money to get into the very low income tax brackets. Of those in the bracket from $660 to $1,000 a year there were 40,000 more in 1945 than in 1946. The labour force in Canada is something like 5,000,000. In 1945, of the 5,000,000 labour force, 2,365,000 were paying income tax. Thus over 2,600,000 of the 5,000,000 in the labour force of Canada had not earned sufficient income to get into the very low income tax brackets which, for a single man, is $660 and, for a married man, $1,200 a year.

The minister stated, too, that in the niggardly increase in the amount of income allowed before taxation took place, namely between $660 and $750 for single men and between $1,200 and $1,500 for married men, there were 600,000 taxpayers. That is 600,000 in the lower income tax brackets. Add to that the 2,600,000 who were not in the income tax brackets at all because they had not earned sufficient income, and we find in Canada 3,200,000 Canadians out of 5,000,000, or more than sixty per cent, who had not earned sufficient income to get into the very low income tax brackets.

Surely, then, the minister was not right in saying:

> We find Canada to-day more prosperous and further along the road of reemployment and reconversion than we could reasonably have expected last autumn when I presented the previous budget.

Surely, if a test of the way we are getting along the road to reemployment and reconversion is to say that there are over sixty per cent of the labour force in Canada earning less than the very small amount which will get them into the income tax bracket, then in effect we have anything but prosperity in Canada. We have a continuation of poverty for the many and plenty for the few.

The Minister of National Defence pointed out, most ably, that the Conservative party was not living up to its election promises. I noticed when he was reading their proposals that, as he said, they sounded like a real, socialist election manifesto. Consequently one could hardly expect the Progressive Conservative party to live up to a socialist election manifesto. What surprised us most was that they had wisdom enough to draft it, and that the people of Canada had even more wisdom and to a great extent refused to vote Conservative.

I do not think the record of the Liberal government, so far as keeping promises made before the election is concerned, is any better than that of the Progressive Conservative party. I have here some quotations from the Glace Bay *Gazette* of May 22, 1946. I have from another magazine quotations which are similar, almost word for word. Under date of June 2, 1945, a message to Canadian labour entitled, "The Liberal party is the workers' party" states this:

> Liberal aim: Jobs for 900,000 more workers than in 1939, 60,000 more each year as the population grows. Every kind of enterprise will be encouraged. The Liberal government has already set up machinery of the Department of Reconstruction. The Liberal government has the man, the Hon. C. D. Howe.

With the last sentence I cannot quarrel. It seems to me that if the government were maintaining its pre-election pledge there would be 900,000 more jobs, and the Minister of Finance would not have to say to the house that there are to-day 200,000 unemployed in Canada.

Another article sent out on May 15, 1945, entitled, "Liberal policy will create post-war opportunities for all", states:

> Jobs! Jobs with bright futures for the young men and women coming out of the armed services with the best part of their lives before them. Jobs for all! Jobs with big prospects and good reliable money that will keep its buying power! After all the hard work, sacrifice and self-discipline which has brought us through the war, the people of this country have earned a brighter future in a better, juster, grander Canada than we have ever known!

That extravagant English sounds like the Minister of Veterans Affairs (Mr. Mackenzie).

Mr. CASTLEDEN: Is that a pre-election promise?

Mr. ARGUE: Yes; May 15, 1945. I should like to read these words:

Jobs! Jobs with bright futures for the young men and women coming out of the armed services with the best part of their lives before them!

And then, in the official publication of the Department of Veterans Affairs, under date of June 15, 1946, we find that at the end of May, 1946, there were 43,336 veterans obtaining out-of-work benefits. Does that look like jobs for veterans, jobs with bright futures? Does that look like jobs with good reliable money?

Mr. MACKENZIE: Are you opposed to it?

Mr. ARGUE: With that many out of work—

Mr. MACKENZIE: Are you opposed to it?

Mr. ARGUE: I am opposed to a party making a pledge before an election and then failing to live up to it. I am not opposed to benefits for those who have not jobs. The benefits are not much; they are second best. But a slice of bread is better than no bread at all.

Mr. MACKENZIE: You are against it.

Mr. ARGUE: I am not against it.

Mr. MACKENZIE: You seem to be.

Mr. ARGUE: I don't seem to be.

Mr. CASTLEDEN: How about your promise?

Mr. MACKENZIE: You can't have it both ways, either.

Mr. ARGUE: If the Minister of Veterans Affairs will say that there are good jobs, then I assure him that the boys will not any longer want these niggardly out-of-work benefits.

Mr. MACKENZIE: I can tell my hon. friend that I have done more for the veterans than he has ever done.

An hon. MEMBER: Give it to him; you have got him going.

Mr. ARGUE: Another thing we should attempt to do is to find out if there is to be greater prosperity in Canada in the future, and if so, we should attempt to see what the income tax exemptions for 1947 will do for the people who will receive the benefit of them. In 1946 a single man earning $1,250 paid $140 tax. In 1947 a single man earning $1,250 will pay $118 tax. He will be given tax relief in 1947 to the extent of $22 in excess of what he received in 1946. A married man in 1946 earning $2,000 a year pays $194 tax, while in 1947 he will pay $118, or will have a reduction of $76 in taxation.

[Mr. Castleden.]

Many statements have been made that we are witnessing to-day an increase in the cost of living. We know that there is a certain amount of inflation in Canada and that the prices of many articles are increasing by leaps and bounds. The cost of living index published by the bureau of statistics in April, 1945, was 119 and in April, 1946, 121, an increase of two points. The homemakers' association, as recorded in the Toronto *Star* of April 9, found that in six years the cost of feeding a family had increased by fifty per cent.

I am not attempting to argue that there will be all-out inflation in Canada. What I am attempting to do is to have hon. members agree that there is a certain amount of inflation, and that there will be inflation next year. Some of us might be reasonably well satisfied if the cost of living next year did not increase by more than ten per cent. I do not know if that would be considered a reasonable figure, but some of us might think it was not too bad. Others might think that if it increased only five per cent a good job was being done. I believe most will agree that if it increased four per cent, that is the least that could be expected. If the cost of living increases four per cent in 1947 over what it is now, then four per cent of a married man's income of $2,000 will amount to $80, and that $80 in fact will buy him nothing, because of the decreasing value of money. So that if the cost of living increases on the average four per cent in 1947 the small tax relief of $76 that is being given for 1947 will be in effect entirely wiped out.

If the cost of living increases two per cent a single man earning $1,250 will have to use $25 of his income to make up for the increase in prices. His tax relief for 1947 will be $22. So that if the cost of living increases in 1947 by two per cent, the very small tax relief given to a single man earning $1,250 will in effect, by another means, be taken away from him.

If we look to see how the exemptions will benefit the taxpayer within the next twelve months we find that if there is a two per cent rise in the cost of living it will cost a single man earning $1,250 some $25 to make up for the additional increase in the cost of living. But his tax relief within the next twelve months will be only $11. So that in effective purchasing power within the next twelve months, if the cost of living goes up by two per cent, he will be $14 worse off than he was before.

The Minister of Finance is, with one hand, granting some small amount of tax relief to income earners, but because the government is not successful in maintaining rigid price control he is in effect taking away that small

amount of tax relief with the other hand because the value of the money which the income earner receives will be less through the increase in the cost of living.

Let us now look at the policies which the government is inaugurating or is likely to inaugurate to increase prosperity in Canada and see if the low paid sixty per cent of the labour force do get increases in income so that their incomes will be up at least to the extent of reaching the low income tax brackets. To provide more prosperity for Canada the government made certain proposals to the dominion-provincial conference. As I understand those proposals there were mainly two fields in which the government proposed new measures. One was a taxation agreement with the provinces so that there would not be double taxation in the income and corporation tax fields and in succession duties. Second, the government proposed a social security programme, including public investments, a health programme, adequate old age pensions and unemployment insurance.

We all know the history of the dominion-provincial conference. It failed. Then the government announced proposals for taxation agreements minus the social security programme. The Minister of Finance in his budget address stated:

> Financial pressure on the less-favoured provinces will give rise to increasingly arbitrary and discriminatory taxation, will lead to interference with interprovincial trade and to the extension of government ownership and operation of business merely in order to obtain additional provincial revenues which of course would mean loss of revenues to the dominion.

I would like hon. members to note that according to that statement of the minister, without an agreement with the provinces, there is likely to be an extension of provincial government ownership. The minister went on to say:

> The dominion cannot stand aside and allow such a situation to develop. It would seriously impair the capacity of private enterprise to provide high and expanding employment.

There was some danger, if an agreement had not been offered, of some provinces going into business for themselves. The premier of Manitoba made a statement to that effect at the conference. If the provinces were forced to go into business undertakings for themselves it would of course deal a severe blow to big business and corporations in Canada, and the Minister of Finance says the dominion cannot stand aside. But there was no offer made to the provinces to sign separate agreements for social security measures. The dominion government, while not ready to stand aside and see big business double-taxed, is willing to stand aside and see the Canadian people go without an adequate social security programme. Surely that is placing the emphasis entirely in the wrong place.

Mr. ILSLEY: Did I say anything in that speech to the effect that we did not want government ownership to take place in the provinces because it would hurt private business?

Mr. ARGUE: No; but apparently that is what the minister had in mind.

Mr. ILSLEY: That is most unfair. What I had in mind I said, which was that it was undesirable to have the provinces taking over business purely for revenue purposes. That is what that says.

Mr. ARGUE: That is right.

Mr. ILSLEY: And that is undesirable.

Mr. ARGUE: Because it would force governments in some of the provinces to go into the public ownership of business, as the Saskatchewan government has done.

Mr. ILSLEY: Does the hon. member think it is desirable for a province to go into public ownership of private industry, merely because it can get a tax advantage or increased revenue at the expense of the dominion?

Mr. ARGUE: A province goes into business for many reasons. If it gets revenue for the province rather than allowing the corporations to skim off the cream of the revenue, certainly that is for the benefit of the people of the province.

The minister went on to say that the proposal that he was making to the provinces was based on fiscal need. He stated that a number of times, I believe. It is based on fiscal need to this extent, that a poor province will be enabled to get some additional moneys that are raised by taxation by the federal government and turned over to the province in the form of a subsidy. I wonder, in looking over the various amounts that will be paid to the different provinces, If indeed they are based on fiscal need. The people of British Columbia under this proposal are to get approximately $20 per capita. The people of the other provinces will get something over $15 per capita, considering the gross national product and the formula that is used. I am not suggesting for one minute that the people of British Columbia should get any less than $20 per capita, but I am suggesting that if the people of British Columbia are to be paid $20 per capita, then the people of the other provinces of this nation should be treated equally well.

Mr. ILSLEY: Would you place everybody on an equal per capita basis?

Mr. ARGUE: No, I would not, but that would be better in my opinion than the method now proposed, because I do not think British Columbia is likely to have the same expenditures in providing social services that some of the other provinces will have.

Mr. MACKENZIE: They have the highest standard in Canada.

Mr. ARGUE: I am talking of the cost of providing the social services, not what social services they have. For example, in British Columbia approximately 394,500 people live in towns of over 5,000, and this out of a total population, according to the 1941 census, of some 817,800. In other words, in British Columbia about forty-eight per cent of the people live in towns of over 5,000. I am sure that even the Minister of Veterans Affairs (Mr. Mackenzie) will admit that it costs more money to provide social services in the rural areas where people are widely dispersed than it does to provide the same services in towns of over 5,000.

In Saskatchewan there are 147,000 people living in towns of over 5,000 out of a total population of some 895,000, or about seventeen per cent. The number of people in Ontario who live in centres of over 5,000 is more than half the total population. Surely it cannot be said that proposals are based on fiscal needs when in certain provinces the cost of providing social services is more per capita because the population is widely disbursed.

I do not think it can be said that the proposals are based on fiscal needs because, if widespread drought occurs in the west, the provincial governments of Alberta and Saskatchewan, and to a lesser extent Manitoba, will be almost bankrupt. If we experience a period of low prices for our primary products the people on the prairies will not have sufficient income to provide a taxation base by which the provinces will be able to furnish the social services they may wish to provide. I do not think any effective argument can be made that these proposals are in any way based on fiscal needs. Before there can be continuous social services we must protect the primary producer against drought and low prices, and protection also must be provided to see that unemployment does not recur.

In conclusion, I contend that the Minister of Finance has based his statement that there is prosperity to-day in Canada on three weak and breaking props. There is no prosperity in Canada when the vast majority of Canadians are not receiving incomes sufficient to maintain an adequate standard of living. More than that, the very small income taxation reductions that have been provided in the budget and the utter failure to go ahead with an agreement to provide social security measures place the people of Canada in a position where they cannot look forward to years of prosperity, but rather only to depression, poverty and misery in the very near future.

Mr. DONALD M. FLEMING (Eglinton): Mr. Speaker, this effort on my part will in no sense be a sermon but it will open with a text. I am grateful to my hon. friend, the Minister of National Defence (Mr. Abbott), for supplying that text. It will be found in part of the quotation with which he closed his remarks this afternoon: "We have a Minister of Finance (Mr. Ilsley) who is not afraid to tax." Apparently this is the cry of the Liberal party: We are the party of taxation; we are the party which is not afraid to tax. Their fitness for office apparently is to be based upon their ability to heap on the taxation.

During the five days of this debate a good many adjectives have been devoted to this budget. Probably it has earned a good many of them because it is certainly a record-breaking budget. It has engendered more bitterness than any budget in the living memory of the people of this country who were led to certain expectations in consequence of lavish government promises. They have carried a heavy load of taxation during the war; they struggled along manfully hoping to see light at the end of the road, in the form of some relief from the crushing burden of taxation. What have they been given in this budget—this budget for the first full year of peace?

In the first place, they have been told that there will be no easing of the load this year. In the second place, they have been given no hope of any worth-while or substantial easing of the load after this year. In the third place, they have been given no evidence of retrenchment on the part of the government. Is it small wonder that the taxpayers of this country feel frustrated, defeated and bitter? And bitter they do feel. They put the responsibility squarely where it belongs, on the doorstep of the government.

May I say a word concerning these so-called deferred reductions. To what shall we liken these slight reductions, these phantom, fugitive reductions? Would this be a fair picture? We have a very tired, jaded steed which has covered six long, hard laps. We have a rider plunging the spurs in further and further and calling for another long, hard lap, with greater expenditure of effort on the part of the steed

than has been made in the previous laps. What is the steed offered? The rider dangles a carrot, and a very small one, in front of the steed just out of his reach. The tired steed must gallop another long, hard lap, in the hope of catching up with the small carrot at the end of the lap.

In truth, this is a two-in-one budget. Where did this extraordinary and novel idea originate? It certainly was not conceived by anyone devoid of political considerations. It certainly was not conceived by anyone who was prepared to come forward and say frankly that there would be no reduction in taxation this year for the people of Canada. Apparently it was conceived by those who were not prepared to make a reduction in taxation this year, but who were afraid to tell the people of Canada that they were unwilling to make a reduction. So there has been resort to this curious expedient of announcing in the budget for the fiscal year 1946-47 that certain meagre reductions in taxation will come into effect within the course, not of this year, but of next year. It is a curious and interesting device.

I suggest that the people of Canada are going to have certain convictions and certain knowledge in their minds on this subject. They know perfectly well that this budget covers only the fiscal year which began on April 1, 1946, and which will end on March 31, 1947. It does not go one day beyond that. They know also that the Minister of Finance cannot bind or undertake now for the fiscal year 1947-48. They know, too, that these elusive and fugitive reductions announced in the budget will apply for only three months of next year, January, February and March. They know that something has been done by the Minister of Finance in this budget which has never been done in the previous fiscal history of this country, the announcement of reductions which will not come into effect until the following year.

This leads me to ask: will there be a budget next year? It is hard to see what occasion there will be next year for a budget since the Minister of Finance has rolled two years' budgets into one. Apparently this is the beginning of biennial budgets. Apparently, also, in view of the fact that we have had six heavy budgets in six years and that this is the seventh, the Minister of Finance has adopted the timely suggestion of the leader of the Social Credit party (Mr. Low) that, this being the seventh year, he, the minister, might observe a Sabbatical year and go on an extended absence. The leader of the Social Credit party suggests that it would be helpful to the minister to move closer to the people and understand what they are asking. It may be that the Minister of Finance, in looking forward to a Sabbatical year, has decided to roll two years' budgets into one.

But what will he do next year when this fiscal year has rolled on to its close on March 31, 1947? I suggest that the Minister of Finance, whoever he may be at that time, will have these three alternatives before him. In the first place, he can make an announcement of these reductions, or rather a reannouncement of the slight reductions which the present minister has announced this year. The minister at that time can reannounce them and take double credit. In the second place, he might withdraw them. There is nothing in them binding beyond March 31 of next year. In the third place, he might ignore them and announce similar reductions, not to come into force until the following year. He can do that inasmuch as precedent has been established for announcing reductions that shall be postponed a year.

With the present mind prevailing, it is hard to see the end of what I call a fantastic farce in budgeting. It is mere window-dressing, trying to dress up the fact that there is no tax reduction this year, and that all the hopes which this government, by its rash and lavish promises, conjured up in the minds of the taxpayers, who were looking forward to reductions in store for them when the war was over, will be dashed to the ground. The government is not making these reductions, so that these phantom, deferred reductions are so much window-dressing.

The year 1947 will be closer to the next election than 1946 and, if the same mind prevails in 1948, then as that year will be still closer to the election, we may expect the budget reductions of that year to be also postponed. The Minister of Finance has admitted the house to a fleeting glimpse of these slight reductions and has then hustled them away into the refrigerator, keeping them in cold storage until the next calendar year. I can liken that action to that of a mother who, when the children open their toys on Christmas day, thinking that Johnny has received too many presents for his good, decides to put them away until a later stage in the year, or until next Christmas.

The Minister of Finance, I say, has offered this fleeting glimpse of phantom reductions. But surely, Mr. Speaker, in this year of grace and this year of taxation it should not be necessary in the Canadian House of Commons to put in a word for the hard-pressed taxpayer. Apparently, however, it is necessary because very little has been said, by those who sit to your right, by way of a plea for an under-

standing of the plight of the Canadian taxpayer. The Canadian taxpayer has carried and is still carrying a crushing burden. He is round-shouldered carrying it—yes, and he is the man who has been cajoled into thinking he might now expect a lightening of that heavy load.

The Canadian taxpayer in many cases is living on a fixed income under a wage ceiling or a salary ceiling. He has had no increase in income, no opportunity to put anything by during the war years. Indeed, great numbers of our taxpayers have been living in the red because taxation and the cost of living have taken more than they have been able to earn under ceilings. The cost of living has been going up, and I am not in the slightest degree impressed by the government's babbling about the way they have held down that cost, because the official cost-of-living index is so much nonsense. It is eyewash. There is not a housewife in this country who is prepared to accept the statement that the cost of living since the war began has increased only twenty per cent. She knows better because that cost of living index does not take into account deterioration in the quality of the goods she has to buy and the fact that she has to pay a higher price for goods of the same quality which, previously, she was able to buy at a lower price.

That same round-shouldered taxpayer has been burning himself out during the war. There are tens of thousands of men throughout the length and breadth of the country whose lives, and certainly the period of whose earning power, have been greatly curtailed by the exertions they made during the war. Everyone, or nearly everyone, has been doing his best, and many a man working under these ceilings has shortened the period of his earning life.

The Minister of Finance keeps coming back to the statement—in fact, it has become almost a fetish with him—that there is more money in the banks than before the war. I do not know who the people are who have all the money in the banks, but I should like the minister to know that it must be in the hands of people I do not know, because the people I come in contact with are people who have been on low frozen incomes during the war, on whom the burden of taxation has been grievous. They have not any larger bank accounts, and, in fact, great numbers of them have hardly any bank account at all. But, as I say, it has become a sort of fetish with the Minister of Finance. He has persuaded himself that a duty rests upon him to relieve the people of these great surpluses which they are supposed to have in the banks. That has been carried too far. Whoever planted that idea in the mind of the Minister of Finance has done him no great service, and it is a pity that by reason of the heavy burden he has been carrying he should be misled in that way. I should be the last person—and I say this in all frankness—to minimize in any sense the size of the load he has been carrying, but it is a pity that he has not been freer or has not taken the opportunity to go around and get into closer contact with the people who are paying the taxes that he imposes. It would have a beneficial effect on his approach to these problems.

Unfortunately, the Minister of Finance has become a prisoner of the bureaucrats. It is a pity that a little refreshing contact with the people who have to pay the taxes is not possible for him. Such a contact would have a salutary effect in restoring a perspective which I fear the right hon. gentleman has lost.

The Minister of Finance has trumpeted the fact that next year about a quarter of those who now pay income tax will not be doing so. Well, there will still be about 1,750,000 people left paying income taxes and sharing that burden with their families. Is that the whole story? It is far from the whole story. I wish some of those eloquent spokesmen for the government, including the Minister of National Defence, who made his maiden speech to-day as Acting Minister of Finance, would give the house some inkling as to how the burden of hidden taxation has been reduced by one copper in this budget. There is no hope of a reduction as long as the government continues in its present frame of mind.

What is the situation? There are taxes that are borne in this country by everyone, the whole twelve million of us. Is there any relief for them? Not a word in that regard. The budget still soaks everyone of them, and this government keeps on professing to be the government of the people. The Minister of National Defence this afternoon spoke about the government being the government of the people.

Mr. ABBOTT: I never used that phrase. I would think of something newer than that.

Mr. FLEMING: They are posing as the friend of the ordinary man, but this budget has exposed them. They are exposed out of their own mouths. This, I suppose, is a sample of the Liberal idea of a budget that meets the needs of the masses. But what about the masses? What about the tax on sugar—a cent a pound on a price of eight cents a pound still going on? It is still in full force

and effect, a load borne by every one of the twelve million people of Canada. On such harmless things as soft drinks we still have a tax of twenty-five per cent, plus a cent for the bottle, which means that the youngsters pay seven cents instead of five cents for ordinary soft drinks. It means, too, that the movie, the poor man's recreation, is still subject to a twenty per cent tax; it means that candy, even when consumed by children, is still subject to a thirty per cent tax. Everybody in the country bears it. How about a little relief for these people? How about the twelve million people who are still waiting in vain for some semblance of reduction in taxes?

I am not a smoker; therefore I can make my next observation, I trust, with complete dispassionate objectivity. Consider cigarette papers. I suppose they are used chiefly by people who cannot afford to buy packages of cigarettes. A man or a woman pays thirteen cents for a package of 100 cigarette papers of which eight cents represents tax, eight out of thirteen cents. Then there is a tax on cigarettes in packages. The tax is two cents on every five cigarettes, and that affects every smoker throughout the length and breadth of the land. I suggest that if the Minister of Finance is looking about for opportunities to grant some tax relief he had better think about the rank and file of people from coast to coast.

I turn now to a subject which affects every man, woman and child in Canada, namely, reconversion from wartime to peacetime economy. At the outset I should like to emphasize the crucial importance of the time factor. Even the Minister of Finance recognized that in what he had to say on June 27. If we are to give any assistance to this reconversion process it must be given right now, not next spring, not in next year's budget, but right now, and there is no time to lose. This is what the Minister of Finance said in his budget speech of June 27, as reported at page 2905 of *Hansard*:

> . . . the action we take now in regard to taxes should provide whatever stimulus is possible to increased production. If we can encourage hard work and efficient production at this critical time, we shall be assisting greatly the effectiveness of our other actions to overcome the inflationary influences left behind by the war.

An ounce of effort now to assist in the reconversion process will be worth a pound a year from now. The solution depends on the action that we take right now, and it depends far more on this budget than many hon. members have given any indication that they yet realize. Let me quote what the right hon. gentleman had to say at page 2904 of *Hansard:*

> Production then should be our primary objective both for its own sake in a world that needs goods so badly, and as a safeguard against the present danger of inflation. We should aim now at high volume production for civilian purposes. . .

A little further on he said:

> No longer must civilian production be restricted in order to conserve resources for war. It can now receive first priority.

How are we to assist this reconversion process? I should like to recall the description of government wartime fiscal policy as outlined by the Minister of Finance in his speech on October 12, 1945, as reported at page 1002 of *Hansard* of last year. This is what he said:

> During the war, there has been built up a system of taxation which is discouraging to investment, to enterprise and to consumer expenditures. In many of its aspects it was designed to be discouraging and restrictive to all activities not necessary to the prosecution of the war. Some taxes were intended to restrict trade. Others have had the effect of increasing costs. I recognize that in the course of six years, war-time taxation has begun to blunt incentives and if continued indefinitely will paralyse the development of industry and trade.
>
> This is a consideration of the greatest national importance.

I should like to underline every word that the right hon. gentleman uttered on that occasion and recall to you, Mr. Speaker, that every moment the government fiscal policy as outlined by the Minister of Finance on October 12 last persists, these consequences, which he fully and frankly outlined on that occasion, will persist, too: the restriction on output, the discouragement of enterprise. To the extent that this budget carries on the same fiscal policy as was in effect then, it just accomplishes these things; the restriction of output, the dampening of incentive and the retardation of this whole process of reconversion from wartime to peace-time economy. There is no escape, and this budget unhappily carries forward just about—well, I shall be conservative with a small "c" if I say ninety-seven per cent of everything that was involved in government fiscal policy during the war as described by the Minister of Finance in the passage which I read from his speech of October 12 last.

Mr. JACKMAN: Managed economy.

Mr. FLEMING: Yes, managed economy, the fetish of bureaucrats; that is what we have been given. How on earth are we to accomplish or achieve the high production which the minister now claims to be so necessary to fend off the peril of inflation? How is he to do it; how on earth could it be done by the kind of budget proposals which have been introduced by the Minister of Finance? Look at them. First, look at the

income tax rates; rates which were discouraging people in the factories, workshops and elsewhere from working overtime. They are still in effect this year.

Mr. ILSLEY: Less sixteen per cent.

Mr. FLEMING: That is what the government told us last October, that they were reducing taxes by sixteen per cent. Why did they not tell us quite frankly that last year the taxes were reduced by only four per cent? They did not say that. Is this some more of the two-in-one juggling of public finance, juggling of budgets? How about having one clear statement for one clear year at a time?

What is the next feature of this contribution of the budget to the increase in production that is so urgently needed? The minister proposes to increase the tax on married men by reducing the income the wife is allowed from $660 to $250, which is bound to have a discouraging effect on farmers' wives and all part-time employment by married women. It is going to affect a great many of them; make no mistake about that.

Let us have a look at the corporations. The Minister of Finance has indicated that he is putting his hopes on private enterprise. He made that abundantly clear in what he had to say in this chamber on June 27. How is he encouraging private enterprise in the corporations? Well, he says to them, I will reduce your corporation tax; I will reduce the tax effective January 1, 1947, and he says he wants production now. Is it reasonable to expect that corporations are going to take many risks in expanding production this year when, by waiting or withholding the marketing of their products until January 1 next, they can expect to increase their profits? Does that make sense? I say that it is most senseless when it is put alongside the minister's statement that we need expanded production.

Look at the partnerships and other proprietorships which are now subject to excess profits tax. The minister says, Oh, if you wait until January I next you will no longer be subject to excess profits tax. Is it reasonable to expect that many of them are going to take long chances in expanding production between now and December 31 when, by withholding products from the market until January 1 and after, they can benefit in the form of increased gains? The whole proposal of the minister has only to be stated to manifest its complete absurdity. What is needed is some relief now, and some encouragement to private enterprise.

In passing, I would suggest to the Minister of Finance that it is high time he took aside some of the hon. members who sit behind him and gave them a little instruction in government policy. If he does not do that he will find more and more hon. members running wild in respect of government policy, as the hon. member for Algoma East (Mr. Farquhar) did the other evening, as reported at page 3294 of *Hansard,* when he advocated the continuation indefinitely of the excess profits tax. The hon. member thought it was a pretty good tax, and that corporations should continue to be taxed under it, not only now but in future. In that connection, I should like to read just a remark and I shall give the reference later. It may be found at page 1004 of *Hansard* for 1945:

> The Excess Profits Tax Act is a war measure which has commanded overwhelming support as an important and necessary instrument of war finance. Unmodified, it seriously weakens the stimulus toward the investment of capital and the efficient operation of enterprises. In this period of reconstruction it is becoming a barrier to expanding employment.

Those are not the words of anyone on this side of the house. They are the words of the Minister of Finance. So I suggest that the hon. members who sit behind the minister either refrain from the discussion of forbidden topics of that kind or at least take the trouble to be instructed on what the Minister of Finance has already declared on previous occasions in the name of this government. Yes, we have had many samples of contradiction as between what the government talks about and what it actually does, but I dare say hon. members will look a long time before they will find a more complete example of contradiction than is to be found between the government resolutions on the one hand and the speech of the Minister of Finance on the other.

Mr. ILSLEY: Does my hon. friend take instructions on the party line before he makes a speech?

Mr. FLEMING: This is a party, Mr. Speaker, to which I am very proud to belong, led by a man I am very proud to follow. It is not a party ruled by an iron hand. It is a party which in the House of Commons stands on the principles of consultation one with the other and of freedom within the proper lines of policy as they have been laid down for the people of Canada, and on which the people of Canada elected those of us who sit here. We do not have to put ourselves in the unhappy position of being simply choristers singing the praises of a government sitting in front of us.

I wish to make one observation as to trade, Mr. Speaker, because in one of the earlier

remarks I read from the address by the Minister of Finance you will find some reference to external trade. The fact of the matter is that the government, which is always ready to take credit to itself because this country stands in a leading position in the field of external trade, in which we are the fourth nation in the world, tells us in effect now that we are simply marking time until others are prepared to take some action in the international field. If we have reached this enviable status, I suggest that is not a good enough answer from the government. We should know precisely what this government proposes. We should know something about the plans this government proposes to lay before any conference called for this purpose. We have not been given the slightest inkling; in this case we have not even been permitted a glimpse of any phantom plans on behalf of the government. May I remind you, Mr. Speaker, that this summer two important conferences are being held to which this government will soon be sending delegates. They are conferences being held in London by the Imperial Economic Committee and the Imperial Shipping Committee. The Imperial Economic Committee has been assembling data on trade within the empire, making reports and fulfilling a useful function in connection with the extension of trade within the units of the commonwealth and empire. That conference this summer is to decide, according to what we were told in the external relations committee on July 9, whether or not the Imperial Economic Committee shall continue hereafter. I suggest that is a serious matter. If our external trade is so important—and it is important; it may be the lifeblood of this nation before we are through —we should know from this government immediately what instructions they are giving their delegates with respect to the views to be presented to the Imperial Economic Committee. Before this budget debate ends, I trust we may have an authoritative pronouncement from the government on this score.

In the limited time remaining, I wish to say a word about a subject which has been neglected in the budget proposals and in the budget speech of the Minister of Finance. That matter is income tax reform. I do not know whether hon. gentlemen opposite have forgotten quite what reform means; perhaps I shall have to speak in relatively simple terms.

In the first place, there is one reform which is long overdue. I suggest that it is about time we eliminated one particular word, one conspicuous word, from the title of this measure. It is called the Income War Tax Act. Enacted during the last war, in 1917, it has become a permanent part of the taxation and fiscal fabric of this country; so let us have some realism and get rid of the fiction of the word "war."

I turn now to the subject of the machinery of collection and assessment. Again I may have to refer to some remarks of the Minister of Finance on other and perhaps happier occasions. In his budget speech on June 27 of this year the minister had this to say on the subject of our personal income tax, at page 2914 of *Hansard:*

> Our personal income tax is now unnecessarily cumbersome . . .

That is a masterpiece of understatement. He added:

> Not only is the tax structure itself complex but as the house well knows its drafting leaves much to be desired.

Another masterpiece of understatement! I recall the remark of the right hon. gentleman in his budget speech last fall, at page 1006 of *Hansard* for 1945:

> There are clear and obvious reasons for as early a reorganization and simplification of this tax as is practicable.

You know, Mr. Speaker, we all expected after that speech, which the minister made on October 12, 1945, that he would seriously take in hand this problem of revising the income tax, eliminating all the complications and absurdities in the procedure of assessment and collection; but they remain. The minister has apparently been too busy, and all the house has been given this year is another apology for delay. Everything remains for another year. The 1946 returns, to be made out in April, 1947, will still be the same old returns containing the things with which we have become so unhappily familiar: the normal tax, the graduated tax, the surtax, compulsory savings, and all the other headaches. That return will be made out next year, as it has been made out in recent years, not only by all those who made it out this year, but it will now have to be made out by all the farmers and fishermen who hope to qualify on the new basis of averaging their incomes over a three-year period. Yes, all the complications remain; the complicated procedure is still there.

But the minister trots out for our view something that apparently is intended to dazzle the house. He has two proposals, the first for an income tax appeal board and the second for an income tax advisory board. Let us look at these for just a moment, taking first the income tax appeal board. We are told it is to be set up for this purpose:

> to hear appeals from assessments made by the Minister of National Revenue in respect of the year 1946 and subsequent taxation years.

Just what does that mean? This appeal board will go to work on assessments for the year 1946, and subsequent years. We may be sure this suggestion was not brought forward by the Minister of Finance until there had been a great deal of criticism of the existing procedure, an outcry from outraged taxpayers throughout the length and breadth of this country. The generality of taxpayers have been crying for years for some reform of the present procedure in connection with assessment and collection. But let us see how far this proposal goes. It begins with the 1946 assessment. Well, Mr. Speaker, you will make out your return on your 1946 income—and I hope it will be substantial—in April, 1947. If the slow-motion procedure now in full flower in the Department of National Revenue continues to flourish, assessments on the returns made in 1947 on 1946 income will probably begin to be issued in 1950. So that this appeal board will begin to go to work about 1950, or perhaps 1951. I am sure the taxpayers of this country will be grateful to the Minister of Finance for coming to their rescue with such a timely measure!

As the minister well knows, there has been strong criticism about the multiplicity of discretionary powers vested in the Minister of National Revenue under the Income War Tax Act and the Excess Profits Tax Act. As a matter of fact, if hon. members have perused the report of the special committee appointed in the other place (the senate) to review the workings of the Income War Tax Act and the Excess Profits Tax Act—and I hope they have, because they will find it a most interesting and valuable document—they will find at page 386 that the committee catalogues the discretionary powers vested in the minister under those two acts. The figures as I add them up total eighty-eight under the Income War Tax Act and twenty-four under the Excess Profits Tax Act.

These discretionary powers cover a variety of subjects, such as the allowance of reserves; limitation of expenses; determination of the true nature of transactions where lessening of tax may be involved with reference to companies and individuals; determination of the nature of income; determining the nature and effect of certain legal documents and reciprocal acts; approval of pension schemes; minor administrative discretions; regulations to carry the act into effect; waiving of penalties; determination of standard profits; adjustment of standard profits, and references to board of referees in the case of new or substantially different business.

The Minister of Finance offers, as an answer to this injustice, one which is crying for reform, a recommendation for an income tax advisory board. It will be recalled that the committee appointed in the other place recommended that those discretionary powers should not be final and absolute in the hands of the minister, but that there should be an appeal from them.

The officials of the department came before the committee and said, "No, we are opposed to that." The committee in the other place was not overcome by that opposition, and still made its recommendation. Of course, when it got to the department and the officials set to work advising the minister, hon. members will know what happened. Hon. members know what would always happen under those circumstances, with the present government in office. The officials won out, of course.

So we have the situation wherein the income tax advisory board is to have power only to advise the minister; and the minister in turn retains full power either to accept or reject that advice. In the second place, there is no appeal from the exercise of any discretionary powers. In the third place, there is not the slightest reduction in the number of discretionary powers; they continue in full number.

Mr. Speaker, my time has expired. I had hoped to touch upon dominion-provincial relations, but time does not permit. In closing let me add this thought. This is not the kind of budget the people of Canada had been led by the government to expect, in the light of the lavish promises the government made. In the second place, it is not the kind of budget the people of this country deserve, after the sacrifices they made in the war years. In the third place, it is not the kind of budget which will help the people of this country to carry on, to expand production, to increase employment and to convert to peacetime economy. Lastly, it is not the kind of budget the people of this country will approve. Indeed, in the light of this budget, so far as the taxpayer is concerned, the war is still on.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

PRIVATE BILLS

Mr. RALPH MAYBANK (Winnipeg South Centre): Mr. Speaker, I move that bills Nos. 254 to 298 inclusive be now read a second time.

Mr. J. W. BURTON (Humboldt): Mr. Speaker, it is not my intention to delay the second reading of these bills unduly, particularly in view of the fact that on a number of occasions both this session and in previous sessions serious objections have been raised

against the manner in which these bills go through the house. There is nothing much that I can add, except that I recall that on the last occasion on which this question came up the Minister of Justice (Mr. St. Laurent) gave in my opinion a good explanation of how these divorce cases might be disposed of in the future. I sincerely hope that the Minister of Justice will not delay unduly in bringing down a bill for that purpose, so that these divorce cases can be dealt with in a proper manner. Just to give an example of the position we are in—and this is another reason why I protest now against these bills going through in this manner—the printing of these bills is not all it should be. In one of them, for instance, the name "Burton" is mentioned; I believe that should be "Turton". I give that as an example of how parliament has got into the habit of passing these bills carelessly, and I wish to register my protest along with others that have been made previously against the manner in which these divorces are granted.

Motion agreed to, on division.

SECOND READINGS

Bill No. 254, for the relief of Jessie Violet Louise Stargratt Burton.—Mr. MacLean.

Bill No. 255, for the relief of Helen Louise Mitchell Meyer.—Mr. Maybank.

Bill No. 256, for the relief of Donald Dale Carr-Harris.—Mr. Maybank.

Bill No. 257, for the relief of Eugene Ernest Hubert George Colnaghi Williams Waterfield. —Mr. Maybank.

Bill No. 258, for the relief of Gratia Lauzon Rousseau.—Mr. Maybank.

Bill No. 259, for the relief of Laura Olive Byers Manley.—Mr. Boucher.

Bill No. 260, for the relief of Vera Gertrude Horder Fournier.—Mr. Maybank.

Bill No. 261, for the relief of Julia Patricia Byrne Coté.—Mr. Maybank.

Bill No. 262, for the relief of Dorothy Adelaide Grace Vennor O'Toole.—Mr. Maybank.

Bill No. 263, for the relief of Lillian Doris Howard Clark.—Mr. Maybank.

Bill No. 264, for the relief of Helen Agnes Stuart Colt.—Mr. MacLean.

Bill No. 265, for the relief of Alma Gosselin Carbonneau.—Mr. Maybank.

Bill No. 266, for the relief of Florence Cleveland Smith des Baillets.—Mr. MacLean.

Bill No. 267, for the relief of Florence Winnifred Dunlop Starkey.—Mr. Stuart (Charlotte).

Bill No. 268, for the relief of Francis John Stone.—Mr. Maybank.

Bill No. 269, for the relief of Mary McCallum McNamara.—Mr. Stuart (Charlotte).

Bill No. 270, for the relief of Leah Helen Shute Main.—Mr. MacLean.

Bill No. 271, for the relief of Cecile Simonne Robert Turgeon.—Mr. Boucher.

Bill No. 272, for the relief of Edward Cotapschi.—Mr. Maybank.

Bill No. 273, for the relief of Catherine Young Rivard.—Mr. Maybank.

Bill No. 274, for the relief of Mary Jane Michelle Ahern de Brabant.—Mr. Maybank.

Bill No. 275, for the relief of Jean Ethelwyn Marshall Ross.—Mr. Maybank.

Bill No. 276, for the relief of Frank Ernest Smith.—Mr. Baker.

Bill No. 277, for the relief of Cleora Elizabeth Doyle Mastine.—Mr. Senn.

Bill No. 278, for the relief of Elizabeth Carr Johnstone.—Mr. Emmerson.

Bill No. 279, for the relief of Marie-Rose-Yvette Breton Philips.—Mr. MacLean.

Bill No. 280, for the relief of Barbara Laing Robertson MacNab.—Mr. Maybank.

Bill No. 281, for the relief of Anne Goldsmith Glick.—Mr. Maybank.

Bill No. 282, for the relief of Jean Alexandra Oughtred Scott.—Mr. Maybank.

Bill No. 283, for the relief of Charles Horatio Baldwin.—Mr. Maybank.

Bill No. 284, for the relief of Mary Slobodzian.—Mr. MacLean.

Bill No. 285, for the relief of Edward Charles McKerness.—Mr. MacLean.

Bill No. 286, for the relief of Ivy Anderson Lobb.—Mr. Maybank.

Bill No. 287, for the relief of Yvonne Rachel Mayer Richard.—Mr. MacLean.

Bill No. 288, for the relief of Nellie Izbitsky Abracen.—Mr. Maybank.

Bill No. 289, for the relief of Ellen Margaret Price Garvie.—Mr. Baker.

Bill No. 290, for the relief of Sophie Shoob Natovitch.—Mr. Casselman.

Bill No. 291, for the relief of Madge Aileen Hunter Parker.—Mr. Maybank.

Bill No. 292, for the relief of Claire Yaroslawa Lytwyn Pendiuk.—Mr. Maybank.

Bill No. 293, for the relief of Henry Wallace Argall.—Mr. Baker.

Bill No. 294, for the relief of Mary Norma Wickens Baker.—Mr. Maybank.

Bill No. 295, for the relief of Mildred Emily Rogers Thoms.—Mr. Maybank.

Bill No. 296, for the relief of Pauline Gregoire Girard.—Mr. MacLean.

Bill No. 297, for the relief of Marjorie Maxwell Cleghorn Pope.—Mr. MacLean.

Bill No. 298, for the relief of Marie Charlotte Arsenault Leonard.—Mr. MacLean.

THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed consideration of the motion of Right Hon. J. L. Ilsley (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Macdonnell and the amendment to the amendment of Mr. MacInnis.

Mr. LUDGER DIONNE (Beauce): Mr. Speaker, in the budget speech which was delivered in the House of Commons by the Minister of Finance (Mr. Ilsley) on June 27, I noticed a sincere desire to meet the conditions imposed on us by the reconversion from war to peace, but I failed to see a real effort to meet the wishes of the Canadian people.

In the first part of my remarks I shall deal with the unsuccessful results of the dominion-provincial conference. Has the federal government the right to tax the population to meet its obligations without asking the consent of the provinces? It would seem that the federal government has this privilege, if one may judge by the legislation which the minister is submitting for the consideration of the members of this house. If the federal government can tax the population without the consent of the provinces, why then consult the provinces? No doubt I shall be answered that the federal government is trying to avoid double taxation on the population, namely, taxation by the federal government and taxation by the provinces. This scheme is an economical and practical proposition, but as the provinces do not want to accept such an agreement, I do not understand the reasons for the federal government insisting so much.

The system of direct taxation followed by the federal government is disagreeable to the Canadian people. Why then insist on the provinces collecting their taxes directly from the people and then giving it back to them on the basis of $12 to $15 or $20 per capita? Why relieve the provinces of this unpleasant job? Why not let the provinces tax their own people in the manner they think fit and forget about this? In other words, why not mind our own business? I think we have enough to do here without doing the work of the provinces against their own will.

Personally, I am sick and tired of this bargaining with the provinces which, owing to the influence of the press in each province, is detrimental to the constructive ideas which this house has in mind. What have we gained to date with the provinces? Nothing practical. The federal government has been accused by the press in practically every province of aiming at centralization and monopolization of the privileges of the provinces, to their detriment. Our ministers have done a tremendous amount of work on this problem, but it has proved fruitless. I submit that we have devoted too much time already to this matter. On the other hand, if we do not have the right to tax the people under the heading of income tax, succession duties, et cetera, we should take some means to legalize this form of taxation or to enter other taxation fields so that we may obtain the results we are seeking.

I should like to refer now to the items of taxation which appear in the budget. I contend that our system of taxation is unjust and unfair to our people. In analysing our income tax legislation from a practical point of view I notice that only part of our population pay any income tax, namely, the working class and commercial institutions. Labour cannot escape this tax because it is deducted at the source, and commercial institutions who have to keep complete sets of books with accountants and auditors must pay it. But what about the thousands of other large and small businesses, those in the professions and many other classes of citizens too numerous to mention? How are taxes collected from these people? Most of them pay no tax. Those who do pay a tax are at the mercy of the income tax collector, or the inspectors must accept whatever they can get from them. It is a direct invitation to dishonesty. Most of these people are dreaming of nothing else but ways and means to hide their income. If they are successful in this they must live lives of fear of being caught and penalized. I know of no better way to educate our population to become professional scoundrels and rascals.

Is this the kind of people we want to have in Canada? Certainly not. If we want to avoid this calamity we shall have to change our methods of taxation. Remember that we have exacted enormous sacrifices from our people during the last five or six years. Are the people not entitled to fairness and equity from their leaders? This exploitation of the classes who do pay taxes, in favour of other classes who do not pay any, or pay only part, must cease. The present budget submitted to the house is inviting criticism and evading our responsibility. We must be honest with our people and with ourselves. We must be bold enough to tell them that we must get revenue to face our obligations and are prepared to enact whatever legislation is necessary to achieve this objective by fair and equitable means.

The mass of the Canadian people would like the exemption on salaries of single men raised to $1,500 and married men raised to $3,000. Why not accept this proposition? How many people earning $1,500 and $3,000 respectively do pay income tax honestly? I repeat, the workman because his tax is deducted from his weekly pay by his employer. How many other citizens are there who are earning similar amounts or more from whom the government collects nothing. Hon. members will admit the exactness of this declaration because their own experience tells them it is so. Is such a method of taxation fair and equitable? I leave the answer to them. If it is not, as every hon. member will admit, why not change it?

In most of the communities of this country we hear the same language, namely, that the cost of living has increased and is increasing; that labour is asking for increased wages, et cetera. This situation should not exist with the strict controls of the wartime prices and trade board. The increase in the cost of living is caused directly by the black market. Why not curb it? What is the use of having price control by the wartime prices and trade board if it does not achieve its purpose?

I understand that the wartime prices and trade board cannot control the situation alone. It needs support. Here is what I suggest to help them. Let us impose an additional sales tax of ten per cent on the retail price of goods. Such tax would be paid by the manufacturer and recharged to the retailer and the consumer. The manufacturer would buy stamps and stick, sew, or stamp them on the manufactured article itself. This stamp of ten per cent would be a sure indication of the value of the article bought by the consumer. Let me illustrate my thought by an example.

Suppose I am a shoe manufacturer. I know by experience that a pair of shoes which I sell to the merchant at $2.25 plus eight per cent sales tax, retails at $5, so that I will insert in the shoes a 50-cent stamp. I will charge this stamp to my customer in addition to the price of the shoes, namely $2.43 plus a 50-cent stamp. When those shoes are bought by the consumer he will have the assurance, in looking at the 50-cent stamp, that the ceiling price of the shoes is $5. No salesman, merchant, or peddler can overcharge or cheat him. Every consumer will act as a policeman. Recently I was in Washington with some friends of mine. A lady in the group wanted to buy a pair of shoes. She returned to the hotel with a pair of shoes for which she had paid $23. She was elated with her purchase because similar shoes in the shoe case were priced at $34. I examined the shoes and realized that they were similar to those manufactured in Canada to sell at around $2.50 by the Canadian manufacturer to the Canadian merchants. If these shoes had borne a 50-cent stamp the lady would have realized that they were $5 shoes and would not have allowed herself to be robbed of the difference, $18. What applies to shoes applies also to shirts, hats and other commodities of life.

Do you not think, Mr. Speaker, that the consumer would be satisfied and pleased to pay ten per cent more for the necessities of life and have the assurance that he is protected? It would cost the government nothing to collect this tax, with the exception of the cost of the stamps. On the other hand, look at the thousands of employees whom the government will have to hire to enforce the law as it is drafted and you will realize the saving the government will make. Do you not think we have enough bureaucrats in Ottawa? Many people talk of economy. I approve. But I am not satisfied with words only. I would like to get some action.

In accepting the increase of exemption of income tax on salaries to $1,500 for single men and $3,000 for married men, the government would, I will admit, lose many million dollars of revenue, but look at the revenue they would get from this ten per cent sales tax. The actual sales tax of eight per cent based on manufacturers' prices gave $404 million revenue to the government last year. A tax of ten per cent on the retail price of goods would yield at least one billion dollars and probably much more. This amount would certainly compensate for the loss the government would suffer in raising the exemption of single men to $1,500 and married men to $3,000. In accepting this suggestion the government would satisfy the Canadian people with fair and equitable treatment and would protect them from the black market which is spreading rapidly across our country.

This legislation should be enforced by drastic measures. In other words, if a merchant is caught selling goods at prices higher than ten times the amount of the stamps or selling goods without stamps, let him go to gaol. It would be better to put a few men in gaol for a month or two and protect our people from these exploiters. We may rest assured that not many people will risk being gaoled. If some are caught, they will take great care not to repeat the offence. Some will no doubt mention that this tax of ten per cent will be detrimental to large families. I am of the opinion that the family allowance and exemption granted in the present income tax for

every child will more than offset this objection. Furthermore, these people will be so happy to get rid of the income tax that they will gladly accept the change. I had an opportunity of discussing the proposition outlined above with many prominent people around Quebec and Montreal this last week-end. After having thought the matter over, there was not one person who did not wish that this measure be accepted by the government.

There is only one way to handle the matter. We must protect our people against the black market by all means, and we must give the same fair treatment to everyone of our citizens without fail. If we forget this grave responsibility, I for my part, do not deserve to sit in this house any longer.

Mr. ALAN COCKERAM (York South): Like the member for Muskoka-Ontario (Mr. Macdonnell), I had thought there would have been some question of economy on the part of the government reflected in the budget; and I was amazed this afternoon to hear the Minister of National Defence (Mr. Abbott), who is to act as Minister of Finance in the absence of the minister, discard any thought of economy. The Minister of National Defence stated that no worth-while suggestion had been given or recommendations made from this side of the house and that only one question of economy had been brought up. I would suggest that since his department is one of the great spending branches of the government, it is a department that he might overhaul and economize, because I intend to give figures to show how ludicrous the expenses incurred by his department are at the present time.

When the hon. member for Lake Centre was speaking the other day the Minister of National Defence did a lot of interrupting, and at that time I thought it was time for someone to give figures showing the expenses of his department and ways in which they can be eliminated.

As of March 31 we find in the three defence services there were 29,824 civil servants. Compare that figure with 44,144, the total number of civil servants on the strength of the government on the same date in 1938. In other words, the Department of National Defence has approximately the same number of civil servants running its three branches to-day as conducted the whole government in 1938. I am going to give figures as to the relative strength of the forces.

As at June 30 there were 1,601 officers in the Canadian navy and 6,388 enlisted men, a great many of whom were petty officers. Therefore there is one officer to every four men in the service. But how many civil servants do hon. members think it took to run that combined number of men?—7,989. It takes 10,187; that is to say, one and a half men in the civil service for every one enlisted man in that branch of the service.

Let us now come to the army. The total army figures as at June 30, in the interim force, show 2,309 officers and 10,510 men. That is, one officer to every five men in the interim force. Apart from the interim force, there are 6,642 officers and 48,524 men, or in the combined forces a total number of officers of 8,951 and a total strength of 59,034. The total number of civil servants it takes to look after those 59,000 is 13,701.

Let us now come to the air force, which is in better shape than the other branches. There are 3,633 officers for 25,873 men, or about one officer for every eight men.

Surely there can be a saving in these departments. I have here an article discussing the United States army, in which the statement is made that some 300 generals are slated for demotion between "now and the 1st of July". We are not attempting to demote people here. We are still promoting major-generals, or were within the last few weeks. Recently an officer was promoted to major-general to take over the head of the military mission in Washington.

Before the war, there was one major-general in Canada and he was chief of the general staff. We know that with the expansion of services and the additional money that is being spent on those services we must have higher ranking officers. I would point to some of the statements that were made in reply to a question of mine which I asked in the middle of April. I asked how many generals, major-generals, brigadiers and colonels there were in the Canadian army. There were five lieutenant-generals as against one major-general before the war. There were eighteen major-generals, five of whom were seconded to other departments of government doing civil service jobs to a great extent at high rates of army pay, rates higher than those of other civil servants. There were forty-six brigadiers and 121 officers with the rank of full colonel, thirteen of whom were seconded to other departments of government.

I asked a question regarding Canadian military establishments in Washington. The reply was that in the army there were 141 army personnel stationed there, forty-six of whom were officers—and remember that this was a year after the war was over. In the air force there was a personnel of seventy-three, fourteen of whom were officers. I am speaking of Washington, of course. The navy had a

strength in Washington of, I believe, fourteen. In other words, of a staff of 226 in Washington, sixty-nine were officers getting special rates of pay and having special income tax allowances. Yet the minister comes to the house and says he cannot save money.

In my opinion these figures are ridiculous. There should be a saving, because it is absurd that there should be that military establishment of this size in Washington to-day. I cannot see why there should be one officer in the navy for every four enlisted men, and in the entire force of the army one officer for every five men. I am reliably informed that even if they get 25,000 men for the interim force they will still have a surplus of 1,300 officers recruited for that force. Surely there can be economy here. I know that in the old days, if a district officer commanding wished to spend more than $250, he had to go to the treasury board to get approval. Is the minister's department not checking up on this colossal overstaffing? That is one thing that could be done to save the people's money. There is, in my mind, no question about that.

Some days ago an atomic bomb was dropped in the Pacific. One would have thought the department would have sent as an observer one of their bright young officers, one who is going to be in the service in the days to come. Whom did they send? They sent Major-General Luton, who had been director of medical services and is now retired. They sent this retired officer to check up and report on the dropping of the atomic bomb. I say that that job should have been given to a young soldier, somebody who is going to be in the service for years.

If the Minister of National Defence (Mr. Abbott) wishes to do a job for this country he can clean out his department and do away with this colossal overhead for which the people of Canada have to pay. The Minister of Finance has some idea of what it costs to maintain an officer in the army, especially when there are so many higher ranking officers around. I venture to say that the members of this house have seen more major-generals and brigadiers at the Chateau and at various functions in the last few months than during the war. If the minister is serious in trying to keep down expenses—and I am sure he is—there must be some way in which he and his departmental officials can check this overstaffing of the force, because undoubtedly they are overstaffed; it is known to everybody. If you take the train to Toronto for the week-end you will find that it is still full of service personnel. I know the department will say that they are going to release from the services something like 20,000 men this month, but I venture to say that there will not be a corresponding drop in the number of officers dropped from the roll. Unfortunately, so far as the services are concerned too many officers are making jobs and trying to maintain them not only for to-day but for the future.

I wish to say a few words about the steel strike which has been called for Monday in spite of the fact that the government has placed a controller in charge. The minister announced an increase in the exemption for married men and single men which is to come into effect some time in the distant future. I suggest that many of our labour troubles to-day are brought about by the fact that the men want to keep their "take-home pay" with which we all agree. Would it not be wise for the minister to bring these exemptions into effect as from the first of this month? Perhaps it would prevent a lot of labour trouble in this country, and a great deal of our difficulties might be eliminated. I suggest that the minister give consideration to this suggestion. If that were done, the workers in the country would have a greater "take-home pay." We know it would cost money; but, after all, money means nothing if you have a contented people. The amount lost would come back in many ways. Again I suggest to the minister that he give consideration to bringing these exemptions into force as from July 1 of this year. There is no reason why this should not be done.

I now come to the Department of National Health and Welfare. I find it difficult to get true and honest statements from the government on governmental expenditures. Some time ago I asked a question with regard to the expenses of administering family allowances. The figure I received was that for the first six months of operation the total cost was $783,141.43. It was obvious to me that that figure was incorrect. I also asked the question as to how many men were employed administering the act. The reply that came to me was that on December 31 there were 417 temporary employees and thirty-five permanent. In a court case in Toronto on April 17, Mr. Jackson, manager of the Toronto office of family allowances, made the statement that he had 300 permanent employees in Toronto and 100 temporary employees. It was therefore obvious to me that my question was not answered correctly. There was nothing in the statement for postage. On looking through the estimates of the Department of National Health and Welfare, one can see that the department pays postage on everything. If one takes the number of cheques that go out—and they were sending out 1,378,128—according to my reckoning the postage would be approximately

$60,000 a month. That amount, added to the $354,000 salaries and cost of living bonus, makes a total of $714,000 alone. Then there was the cost of printing the cheques, envelopes and all the other work that is incidental to the operations of the department. It is known generally that although the department of health did not take on men to operate the act the department of the Minister of Finance took on something over two thousand additional men to handle family allowances. The salaries on this account are not included in the figures of the cost of administering the act. When statements are given to hon. members there should be some degree of accuracy in them.

I should now like to touch on the subject of Canadian mining. It had been hoped by those actively engaged in the development throughout Canada that in introducing his budget this year the minister would have given some consideration to the future of the industry. The minister is aware that so far as the gold mining industry is concerned it is up against a fixed price for its product, and it is having to meet increasing costs to the point that much ore which was considered profitable in the past has now become waste rock and of no economic value. This has been accentuated by the new policy announced by the minister in regard to United States exchange. At this point let me say that I am not opposing the placing of Canadian funds on parity because, if it is good for Canada as a whole, then we must accept it as such. The minister knows that the industry is willing to accept it as such. With the increasing costs and the disappearance of the ten per cent premium, I estimate that at least twenty-five per cent of the ore resources of Canadian gold mines have been dissipated. In my opinion the Prime Minister (Mr. Mackenzie King) has a great knowledge of what this industry means to the country. Perhaps his knowledge is greater than that of the Minister of Finance because, when the prospectors' association were holding a meeting in Toronto, the Prime Minister wrote a letter to the president, Mrs. McMillan, which read as follows:

> I shall be grateful if you will convey my cordial greetings to the members of the prospectors and developers association of Canada, on the occasion of the annual convention of the association at Toronto, on March 11, 12 and 13.
>
> I am much interested to learn of the intention of the association to inaugurate a "Mining Day" for Canada so that all Canadians, young and old, may better appreciate the great importance of mining to our country.
>
> Mining is one of Canada's outstanding industries. The splendid development of our vast mineral resources was one of Canada's most important contributions towards the winning of the war. The further development of these resources, in the years following the war, can contribute greatly both to the national welfare and to the welfare of many lands.
>
> I send my best wishes to all attending the convention for a pleasant and profitable meeting.

In this house we have heard a great deal about the depression of the thirties. Let it be remembered that in those days the gold mining industry was the chief anchor of the Canadian economy. I believe this will be admitted by everyone. To show the importance of this industry, I would point out that during the years 1929 to 1932 the value of the production of all metals other than gold decreased from $114,000,000 to $40,000,000, whereas the value of gold production increased from $40,000,000 to $71,500,000. I would also point out that at present from 110,000 to 120,000 men are actively engaged in the mining industry of this country, receiving an average wage of approximately $2,000 a year. In other words, the mining industry is paying out in wages the enormous sum of roughly $240,000,000 annually. In these figures I have referred only to those directly engaged in mining. One would not have to stretch his imagination a great deal to realize how many citizens of Canada are indirectly dependent upon this great industry for their livelihood.

I have already stated that the industry does not oppose the plan of placing the Canadian dollar on a parity with the United States dollar if it is in the interests of Canada as a whole; but if we admit that it is in the interests of Canada as a whole, then obviously something must be done to take care of this one casualty that has been brought about in the national interest. This was recognized by the Minister of Finance in announcing the change in policy, when at page 3184 of *Hansard* he said:

> Moreover, this action is being taken at a time when the unfavourable effects will be minimized for practically every one of our great export industries with the exception of gold mining.

In this statement the minister recognized the great harm that would be done to this industry, and now he must give consideration as to how the damage may be offset. Before offering any suggestions in this regard, I should like to say that as far as I am concerned—and I am sure I am speaking on behalf of

the industry—nothing in the way of subsidies is desired. Mining is too big and too important an industry to be looking for hand-outs. There are several ways in which the minister can help the industry get over these bad days, and I should like to suggest some possible measures. I know the minister has been approached by those connected with the industry, and no doubt he has a very good idea of what can be done. First, however, I would suggest that there is absolutely no freedom in the gold market where Canadian producers have to sell. The market for Canadian gold in the main is on this continent. It is a mistake to regard the new policy announced by the minister on July 5 as primarily an exchange parity policy. Actually it was a price control policy, and the mining industry has suffered because of it. In his announcement the minister hit the mining industry a body-blow which no other industry had to withstand. Why is that so? Simply because from the price Canadian gold producers were receiving he has taken away $3.50 an ounce, which must come out of the profits, and which means that in the main the low grade mines will be unable to operate. Gold mining, like all other industries, has been subject to Canadian price control, and has operated within fairly close margins of profit. As pointed out by the hon. member for York West (Mr. Adamson), the average profit per ton of ore treated by the gold mines of Ontario in 1944 was $1.94, and in the province of Quebec it was as low as sixty-two cents.

Let us compare the mining industry with the other industry that could have been hit by this announcement; that is, the paper industry. We find that yesterday the newsprint industry was able to announce an increase of ten per cent in the price of its products, which would offset any loss it might suffer in connection with this exchange policy. How can the minister help the mining industry? That is what the industry is interested in and what I believe many Canadians are interested in. In the first place, he could give back to the mining industry in Canada the fifty per cent depletion rate for both the mines and the shareholders. In regard to this depletion allowance I would point out that, once the ore is taken from the ground, it is finished and cannot be replaced. Therefore the ore reserves of mines are a constantly wasting asset. Then, the minister could make arrangements with the Canadian mint to refine, handle and market the bullion of the mines at cost. In the next place, the minister could allow the mines to sell all their metals, whether base metals or gold, in such a way as to obtain world prices for their total production. I should like to point out to the minister that in spite of his arbitrary act in stating that the Canadian dollar is worth 100 cents in United States funds, Canadian money still remains at a discount in New York. Yesterday the rate was 1½ per cent and went as high as two per cent. I wonder if the minister would not let the mines have the advantage of that rate, so that at least they would get this extra 70 cents a ton. This is not very much to a government, but it does mean something to low-grade gold mines.

I should like to offer another suggestion to the minister, and it is this: In order to promote the discovery and development of new mines in remote areas, such mines should be exempt from all taxation for a period of ten years. When I refer to remote areas I mean those areas which cannot be reached other than by plane or by bush road, or by any means other than railways. Every time a new mine is developed in these northern areas it opens up wide possibilities in connection with farming and lumbering which are good for the country as a whole. I offer this suggestion, having in mind that the areas near the railways to a great extent are thoroughly prospected, and that in future the mines will largely be found in the more remote areas of Canada. They will open up vast new districts; and when I speak of the remote areas I refer to such places as Yellowknife, Red lake, Pickle lake, Chibougama and the new nickel mines in northern Manitoba. I would just say that these new nickel deposits in northern Manitoba may be a vital asset to Canada in the uncertain years to come. These deposits are at the present time approximately 150 miles from the railway. Unless this new area gets definite encouragement from the government, deposits are likely to remain undeveloped. A ton of rock is no asset to Canada unless it has had the metal extracted from it.

While I am on this subject, I should like to point out to the minister another way in which these remote mines are being penalized. The only means of transportation into the new areas is by aeroplane, and all hon. members know there is a fifteen per cent tax on travel. To go to the Red lake area, for instance, the

fare is $40 return. The fifteen per cent tax adds $6 to that, which the worker in that area has to pay. If he travelled the same distance by railway he would pay a tax of only about thirty cents. The minister should immediately do away with this tax on air transportation to remote areas which have no other means of transport. This should be done to benefit those who are working in the mines because, when they come out for holidays, just that much more expense is involved.

The devastating effect of the minister's action at this time is bound to have repercussions in the future. If the mining industry is to survive, new mines must be found to-day. This was once recognized by the government, and I quote from the dominion proposals to the dominion-provincial conference:

The great export industries are agriculture, forestry, mining and, to a lesser degree, fishing. An accelerated resources development programme would provide alternative income to these great export groups if exports are low. Non-urban road development programmes will have the same effect as far as agriculture, forestry and mining are concerned, although it is not apt to help the fisheries industry directly to any great extent. Increased income of the primary export groups would greatly help the remainder of the economy by maintaining both consumption and investment outlay.

A decline in private investment expenditure releases workers of various skills from employment and lowers the amounts of producer materials used. The resources development programme would help provide employment directly and indirectly to many of these people.

Records show that the Canadian mineral production from 1907 to 1944, inclusive, according to figures compiled by the bureau of statistics, reached the staggering figure of $10,005,699,893. This sum represents two-thirds of the Canadian government's bonded debt to-day.

Just in order to give a little encouragement to those who sit to my left, I should like, if I may, to table a list of Ontario producing gold mines which ceased operations between 1939 and 1944, and which paid no returns to shareholders, and the total production value from commencement to date of closing. The total production of these 39 mines was $21,859,000. No dividends were paid, but production taxes of some kind were paid on all these mines.

Mr. ILSLEY: This would have to be with the unanimous consent of the house.

Mr. SPEAKER: Has the hon. member unanimous consent?

Some hon. MEMBERS: Agreed.

Mr. COCKERAM: The table is as follows:

Table showing list of Ontario producing gold mines which ceased operations between 1939 and 1944 and which paid no returns to shareholders; and giving total production value from commencement to date of closing (in thousands of dollars):

Mine	Production Value in thousands of dollars
Algoma Summit	298
Centennial	18
Cordova	134
De Santis	1,340
Devon	2
Elora	49
Feymar	841
Golden Gate	984
Goldwood	114
*Gold Eagle	1,484
Hiawatha	5
Hoyle	1,785
Jubilee	57
J-M Consolidated	966
Jellicoe	214
Jerome	2,190
Kenwest	36
Kenapo	6
Kenricia	94
Lebel Oro	376
Mayboro	2
Mace	686
Morris Kirkland	615
Nakhados	251
New Golden Rose	1,657
Orelia	2
Porcupine Lake	46
Ranson	6
Ronda	99
Roven River	268
Regnery	112
Sandy Beach	1
St. Anthony	1,977
Straw Lake	428
Tianoga	82
Tyranite	1,156
Uchi	4,363
Upper Seine	13
Yama	102
Total—39 mines	21,859

*No dividends but paid a small return on capital investment on closing.

In the early days of the war, when gold was so necessary to enable Canada to buy goods and materials in the United States, the gold mines were asked by the then minister of finance to increase their production, with the result that gold production was increased from $166,205,990 in 1938 to $205,789,392 in 1941. This great increase in production was brought about as a general economic loss to the mines, because they mined their richest veins in order to get production.

Not only did they trespass upon their ore reserves, but they paid taxes on fictitious profits, because at that time they were unable to do the development work which normally a mine must do to keep ahead. The result was that the mines paid taxes on those profits, and did not get any relief from taxation at that time.

I say to the minister, in closing, that in spite of this body-blow which has been admin-

istered to the industry those engaged in the industry, management, men, prospectors and everybody else connected with it are still good Canadians with a determination that the industry will survive and that it will continue to play its full part in the Canadian economy.

I would ask the minister to give consideration as soon as he can to some relief for this industry, not by way of subsidies, but by some real and considered relief which would be helpful to the industry in these difficult times.

Mr. JOSEPH OMER GOUR (Russell) (Translation): Mr. Speaker, I am pleased to take advantage of the opportunity which is now afforded me to congratulate you on your elevation to your distinguished post and especially on the efficiency with which you are discharging your duties. I hasten to compliment also the government and all the ministers, especially the Right Hon. the Prime Minister (Mr. Mackenzie King) about the manner in which they have directed this country's affairs during six long years of war. I commend them for having so well prepared this country for the post-war period, through trade treaties, and the loans that have been made and those which will probably be granted in the near future. Such action ensures us for many years to come a market that will mean good prices for our farmers and employment for all our workers, owing to the fact that we shall have an export trade greater and more profitable than ever before.

In no country of the world, not even in the United States our great and prosperous neighbour, has inflation been better controlled, and the middle class, comprising the majority of the people, better protected than in Canada.

I think it behooves me to congratulate all the cabinet members. I must first mention the Right Hon. Mr. Mackenzie King, that great statesman, who is admirably leading our country in accordance with the high traditions set by our revered and lamented leader, Sir Wilfrid Laurier; I must also commend our Minister of Reconstruction (Mr. Howe) who arouses the envy of all other countries on account of his ability and his unmatched talents; our Minister of Transport (Mr. Chevrier), who organized his department so as to move through Canada and to Europe, more equipment, more soldiers and more civilians than even the most optimistic observer would have thought possible; our Minister of Labour (Mr. Mitchell) whose ability, consideration and absolute frankness for the worker have gained their esteem and who has obtained for them wages in keeping with a high standard of living; the Right Hon. Minister of Justice (Mr. St. Laurent) the pride of Canadians, for his personality, his ableness and his great sense of fairness which no one ever questions; our Secretary of State (Mr. Martin) who has so worthily represented our country abroad on various occasions and who, lately, has piloted through the house a bill of which our country is justly proud; our Minister of Health (Mr. Claxton) for all the social measures he has presented, especially family allowances, besides the numberless others he would so willingly support were our finances such as to warrant them; the Minister of Public Works (Mr. Fournier) who, due to his integrity, is so successful in the administration of his department and attends to the erection of public buildings and numerous works contributing to the wealth of Canada, in spite of the inadequacy of the amounts voted for these purposes; our ministers of National Defence (Mr. Gibson and Mr. Abbott) who have so well organized our war effort, have proceeded with demobilization with so much speed, and have implemented more measures benefiting our veterans than any other country and all the other members of the cabinet who are so well qualified and of whom I shall have more to say later for the work they have done.

I feel it my duty also to commend the Minister of Finance (Mr. Ilsley) for the splendid budget he has brought down. He has shown evidence of unprecedented ability in thus balancing a budget of such staggering proportions not only without increased taxation but, on the contrary, allowing substantial reduction for people of modest means. We may therefore count on his finding means to repeat this performance in the future.

I should not want to miss this opportunity, Mr. Speaker, to express to the minister my whole-hearted admiration for the splendid way in which he has managed the affairs of his department. His financial ability has been of great service to his country and his fellow-citizens. By his courage he has established and maintained price control thus protecting the bulk of our population, our farmers, our workers, and people of low income, against the abuse of trusts, so that the public shall not be exploited as they were during the first world war. I hope that price control will be maintained until the return of normal conditions when offer shall again exceed the demand for all the commodities essential to a high standard of living for all Canadians and in order that competition shall prevent profiteers throughout the country to take unfair advantage of shortages and of every opportunity to exploit the people and satisfy their greed.

It may however become necessary to raise the prices of certain commodities, as happened recently in the case of farm machinery, a measure which I cannot criticize because we have had ample evidence that the manufacturers could not produce at a profit. We may be sure also that they would not have taken steps to increase their production. They might even have curtailed their production, thus depriving our farmers from machinery they sorely needed in view of the scarcity of labour.

Our farmers have a greater need of equipment than in the past and a shortage of farm machinery would impair increased production. I take this opportunity of congratulating our farmers on their splendid effort during the war years when they intensified production while 400,000 of their number had left the land to serve with the armed forces or in various other fields.

May I remind my hon. friends in this house, Mr. Speaker, that if we do not grant the farmers all the means of production, the whole country will suffer. I confess that I find the price of farm machinery very high. A farmer needs a great deal of capital to secure everything he needs for profitable operation. If new increases raise production costs on the farm, the government must lend a helping hand as was done when the government increased the prices of bacon, eggs, butter and other agricultural products, or add to the farmers' revenue by grants of some sort.

I submit, Mr. Speaker, that the farmers want a more generous agricultural loan, similar to that extended to veterans by the government.

I compliment the government for the fine legislation implemented in favour of our veterans which does credit to our country.

Mr. Speaker, I would now ask hon. members to consider the riding of Russell, which I have the honour to represent, because it truly reflects the whole of Canada. In the first place, its population is made up of all creeds and all races, French-Canadians, English, Scottish, Irish and others, living in perfect harmony.

In think my constituency is one of the best agricultural districts of Canada, on account of its production of butter, milk, cheese, pork and eggs. A large part of our farm products is sold in the beautiful city of Ottawa, the capital of our country, of which we are so proud on account of its growth and of its attractions, and which is remarkable for its fine people and its distinguished visitors.

[Mr. Gour.]

Although farming is the main occupation in my constituency, the district is noted for some very pretty small towns and attractive villages which hope for more industries. I take this opportunity of appealing to the government and to manufacturers and of informing them that they would receive a warm welcome in the county of Russell. To my mind, it would be beneficial to disperse our industries rather than concentrate them in large urban centres; since, in the event of another war, the atomic bomb could destroy a city in a few minutes, it would be advisable to scatter these industries throughout the rural districts where life is less expensive for the worker and where the farmer could sell his products closer to home.

In my constituency of Russell, one finds in Rockland, Orleans, Embrun, Russell, Casselman, Bourget, Clarence Creek, and elsewhere, ideal locations for any type of industry and capable workers who would certainly cooperate with any establishment set up in the district. The Rockcliffe and Uplands airports with which you are familiar are also in the vicinity, and you are well aware of the immense service they rendered the country in war time and of their present contribution.

I shall prove to you that we can rightly be proud of this fine constituency of Russell, because for 59 consecutive years, that is, since 1887, it has never failed to elect a Liberal member to the House of Commons in Ottawa.

We shall celebrate that diamond jubilee shortly and I wish to invite the Prime Minister and all the hon. members to join in with us in celebrating this glorious event and come back later when we celebrate the centenary. I do not think the representatives of Russell have taken too much of the time of the house and it is not my intention to abuse this privilege, as I believe that needlessly protracted discussions cost the country millions of dollars and tend to increase taxes.

The electors of my constituency feel that their interests are well taken care of by the Liberal party. A moment ago I congratulated the members of the cabinet for this unparalleled era of prosperity prevailing in my constituency and throughout Canada. This is proven by the fact that during the ninth victory loan the sum subscribed was higher than the total amount of all the loans launched during the first great war.

In order to thank Providence for the most prosperous era in the history of our country, which is unequalled in the whole world, I believe that the government could not find a better time to appoint an ambassador to the Vatican. We should be proud to do so, since ours is such a Christian country, and in view of the fact that forty other countries have already led the way, namely; France, Belgium, Great Britain, United States, Japan, China, Bolivia, Brazil, Chile, Argentina, Ireland, Colombia, Cuba, Haiti, Ecuador, Peru, Venezuela, Germany, Czechoslovakia, Roumania, Finland, Italy, Spain, Portugal, Luxembourg, Holland, etc.

(Text)

Mr. JOHNSTON: When are you coming back to Canada?

An hon. MEMBER: You do not understand what he is saying.

Mr. GOUR (Russell): I will speak so that my hon. friends can understand.

Mr. Speaker, I must say again that our farmers are urgently in need of help from the federal government since we are not getting enough from the provincial government of Ontario, especially chemical fertilizer at better conditions, assistance in the draining of the lands, et cetera, in order to keep our farmers on the land and to encourage the veterans in settling on the land.

Good roads and electricity are also essential. The farmers cannot keep their sons on the farms, when it is a matter of seventy-five hours or more work per week, without offering them reasonable and necessary accommodations.

It is essential to the farmers, as well as to the workers, that a reasonable profit margin be established between production cost and sale price, the same as between the salary of the worker and the cost of living.

In conclusion, Mr. Speaker, I would like to state that the constituency of Russell has flourishing flax cooperatives. I would fail in my duty if I did not take a few minutes of the house's attention to congratulate the hon. Minister of Agriculture (Mr. Gardiner). Is it not a fact that it is due to his unpreceeded ability that he provided ways and means of stimulating our farmers, who replied splendidly to his call and have multiplied several times our production from coast to coast. Thanks to them, we are now the country which provides the most food to the starving people throughout the entire world.

As a result of the laws which the Minister of Agriculture has had adopted and the bonuses which he gave the farmers in order to encourage them to better their products, to-day we are offering products which are superior to those of every other country, and you will agree with me that this is all to the honour of Canada.

It is also due to his ability that our country and its products are better known and that we are getting more advantageous markets everywhere in the world.

Yes, Mr. Speaker, we have reasons to believe that we can never have a more qualified Minister of Agriculture. I sincerely wish that we shall be granted the envious privilege of keeping him in his present position for many years to come. The country is most fortunate in having such a competent minister at the head of this department. I would remind hon. members that if agriculture is not prosperous, Canada cannot be prosperous.

I want to take this opportunity to thank the minister for the precious help he has given all the cooperatives and flax industries which were of such great importance to our war effort. I feel certain that the flax industry will continue to render great service to our country provided that the government will continue to extend its assistance to its development until such a time when we shall have mills which will be providing work for thousands and thousands of workers.

I shall conclude by saying that we must thank Divine Providence for having given us such a glorious statesman at the head of our country, the most qualified man in all the world to-day, our Prime Minister (Mr. Mackenzie King).

Mr. A. M. NICHOLSON (Mackenzie): Mr. Speaker, I should like to join with hon. members in congratulating the Right Hon Minister of Finance (Mr. Ilsley) upon having been selected to go to Geneva on an important mission for his country. I am sure people in all parts of the country will hope that the ocean voyage will improve his health and that in the near future he will come back in the best of condition. During the war I participated on many occasions in victory loan campaigns in my constituency. I always made it clear that while the C.C.F. did not have a mandate to conduct the financial programme of Canada, being a democrat I accepted the verdict of the majority. I told my constituents that I thought we were fortunate in having as Minister of Finance one who would not use his high office to improve his own personal position. I told them that if waste or inefficiency existed in government, those conditions did not prevail with the knowledge or the approval of the minister. I am sure that those factors had a great bearing upon making it possible for Canada to achieve such an impressive war effort.

During the war I felt that there were criticisms that should be made, and I made them from time to time. I think this peacetime budget deserves criticism and, before I conclude, I shall have something critical to say about it. After having listened to the Progressive Conservative members who have participated in the debate, I began to feel that there could have been a worse budget. When the financial critic for the Progressive Conservatives spoke after the minister had brought down his budget on June 27 he emphasized the word "economy", "economy", "economy". I submit that we could save quite a few million dollars in Canada but still could not improve materially the lot of the people. The hon. member for Muskoka-Ontario (Mr. Macdonnell) took us back a long time in his speech. As reported on page 3222 of *Hansard,* he took us back to the seventeenth century when he said:

> As I understand it, democracy as we have it really takes its roots from seventeenth century England, and if there ever was a place where they believed that people should try to look after themselves and have a sense of responsibility, it was seventeenth century Puritan England.

It is quite a long time since I have read about the seventeenth century. The remarks of my hon. friend created an interest in that period of history, and so I turned to Trevelyan's "English Social History". While the hon. member for Muskoka-Ontario might like to live in Puritan England of the seventeenth century I prefer Canada of the twentieth. The period of Puritan England to which he referred was still 100 years before the industrial revolution. It was a time when the development of the coal mining industry forced the working of women and children, who were compelled to toil long hours underground. The hon. member for Cape Breton South (Mr. Gillis) has told us about conditions of the mines in the twentieth century, but conditions were much worse in the seventeenth. Hon. members may be interested to know something of what was done for the aged in the time of Puritan England. As a result of forty-five years of faithful service in the compiling of chronicles, James I awarded John Stowe of the city of London, in the year 1603, a licence to beg. John Stowe was given a royal licence to beg! Then there is an interesting statistical compilation here, Gregory King's Tables. I shall refer to it later when dealing with the budget of the Minister of Finance, to indicate that in some particulars we have not gone very far from the conditions that prevailed in the seventeenth century.

I would remind the house that there was a period, within the memory of most of us, when we did practise the word "economy" about which we have heard so often. From 1930 to 1935 we had a government here—

Mr. MACKENZIE: No, we had not.

Mr. NICHOLSON: —that had some of the stalwarts who are still in the house, and they did practise economy in those days. Let us see what the economy was. The hon. member for Muskoka-Ontario complained much about expenditures in connection with the civil service, but he has not made many concrete suggestions as to how the expenses can be cut down. His government, from 1930 to 1935, did indicate one means by which this result could be effected, for they slashed the salaries of civil servants ten per cent all across the board. Those receiving higher salaries had a ten per cent cut, and those who received $60, $70 and $80 a month had the axe applied equally to them, for they, too, had a ten per cent reduction.

Mr. MacNICOL: And members of parliament and senators too.

Mr. NICHOLSON: We find that certain relief settlement plans were drawn up, because an act was passed in 1932 whereby agreements were made with all the provinces, except Prince Edward Island, providing for non-reconvertible expenditures of one-third of the amount, not to exceed $600 per family, for the purpose of providing a measure of self-sustaining relief to families who otherwise would be in receipt of material aid, by placing such families on the land. Those were the days when my hon. friends practised economy. They said, "It is far cheaper to keep unfortunate people, who cannot find jobs, on the land. Give them 160 acres of bushland for $10 and make available to them the sum of $600 and they will no longer be a charge on the rest of society." That is not so long ago. That was in 1932.

Hon. members who have lived in other parts of Canada will have some difficulty in picturing what is involved when you leave a city like Regina or Moose Jaw or Saskatoon under the assistance of the federal government, the provincial government and the municipality and try to become self-supporting on $600. I happen to have returns for some of the veterans of world war I of 1914-18.

An hon. MEMBER: Were you one?

Mr. NICHOLSON: No; I was not one. These returns relate to some of my friends who are older than I. I have, however, the

records of two who fought in this war and this is the sort of treatment we gave these people from 1930 to 1935. This is how my hon. friends allocated $600 to those who were in need of assistance; this is what was done by those who talk about economy. I will not mention any names, but this particular family is No. 225—they gave them numbers—and the date of this settlement was May 25, 1932. The family was supplied on July 7, 1932, with a team costing $50. No extravagance there! I may say, however, that the horses did not live very long; they survived only a few weeks. On August 10 they were supplied with groceries amounting to $10. That was for eight people in the family. That very economical government decided that $10 would be ample to supply these people with everything they needed in the way of groceries. That amount, I may say, was for one month. They got a set of harness costing $15. On August 10 they really went to town, because they bought a cow for $35, a wagon and plough for $10, and had their railway fares paid at a reduced rate. The cost of that item for five people was $30.80. On September 12 they had groceries to the amount of $10. Then they started buying building materials. Talk about the Veterans Land Act! There was no such extravagance in 1932, for building materials for this family cost $31.60. They had the logs available and that was the amount provided for construction. Then there was $10 for groceries and they bought hay on August 12 for $1.50. In October they bought two rolls of tar paper for $4.50, and on November 17 they had groceries to the amount of $10. Then, on January 10, 1933, they had groceries, $11.60.

Mr. SKEY: On a point of order, may I ask whether the hon. gentleman is opposing the budget of 1932 or the budget of 1946?

Mr. NICHOLSON: I am making my position clear, that the people who now talk about economy had a chance of practising it at that time, and they did not improve to any extent the lot of the majority of the Canadian people.

To continue, there is an item on January 12, C.N.R. freight, amounting to $43.95. Then, on June 8, 1933, they bought a black gelding, the other team having died, and this single horse cost them $50.

Mr. FLEMING: Too much for a C.C.F. horse.

Mr. NICHOLSON: Then we find in 1933 sealers and sugar, $10.75. On February 2, 1934, there was an item of thirty bushels of oats for $8.30. The election was coming on and allowances then went up, because the family that had been expected to get along on $10 now received $18.20. That was for eight people. By the 20th February, 1934, they had exhausted their $600. But, of course, they were not self-supporting and assistance was continued.

I am speaking about Saskatchewan, but I would remind the house that the leader of the opposition (Mr. Bracken) was premier of Manitoba, the adjoining province, and they also participated in that sort of programme. They settled quite a large number of persons and at the same time carried out a programme to settle boys on farms at $5 a month, and if they continued on long enough there was a subsidy of $2.50 a month.

I do not wish to excuse the present government. I notice the Minister of Veterans Affairs (Mr. Mackenzie) is smiling, and I would remind him that in 1940, after we had been at war for some time, there were still several thousand young men working on farms drawing benefits of $5 a month.

I submit that the solution of the economic problems that confront the Canadian people will not be found by going back to the seventeenth century or to the thirties of the twentieth century, when we pared down allowances to veterans of the war who had committed no offence but were unfortunate enough to be carpenters, tinsmiths or plumbers who could not find jobs at any wage in the cities. It was costing a good deal to keep them on relief. It cost $70 a month to keep them on relief in Regina, and the Conservative government at Ottawa felt that if they got these people into the bush they could cut down the provincial and federal expenses and balance budgets. But the real costs will never be known—the toll of suffering in the way of undernourished children, broken-hearted mothers and fathers, and youngsters who, year after year, were denied the privilege of going to school. I would like hon. members to bear in mind that this is within the memory of all of us here. Those terrible years we had in Canada, when we could not provide a decent standard of living for the people, can be recollected by all of us.

During the war the Minister of Finance did some things that deserve commendation. He pursued a policy which proceeded on the basis that anything which was physically possible somehow or another would be made financially possible. If we needed ships, tanks, guns or materials of any kind, the question was, not how much money we had in the banks, or how much was in our gold reserves, but had we the raw materials; had we the man-power? Was it part of an over-all plan which would enable Canada to make her

greatest contribution for the purpose of winning the war? During the war years Canada set high standards. We had more than a million of our young men and women in uniform. We gave large contributions to the united nations, and we kept for ourselves more of nearly every item of food than we ever had before in the history of the country. Is there not something radically wrong with an economic system which gives the people their highest standard of living during two wars, the war of 1914-18 and the war of 1939-45?

The performance of the Minister of Finance during the war should indicate that if he wishes he can organize our fiscal policy so that we can have full employment and rising standards of living in peace time. I wish to point out that the greatest waste in our time or in any country's time is the waste which takes place when able-bodied men are denied the chance to do useful work, and when machines remain idle when there are needs which must be filled.

When these settlers were going to the north country the sawmills in the midst of the bush were closed and the settlers could not get lumber to finish their houses because, we were told, we had no money in Canada. Under the pressure of war we found that if we needed lumber, mills were operated and those who worked in the mills deserved reasonable standards of living.

I come now to a criticism of the budget. The amendment moved by the hon. member for Vancouver East (Mr. MacInnis) sets out the fundamental criticisms of the budget. I should like to confine my criticism chiefly to the points raised last night by my deskmate, the hon. member for Winnipeg North Centre (Mr. Knowles). The budget does not provide for the tax reductions in the calendar year 1946 by raising sufficiently the exemptions of those in the lower income brackets. In discussing the budget on June 27 the minister said, and correctly, as reported at page 2915 of *Hansard*:

> Secondly, we are all, I believe, agreed that the income tax is the fairest and best tax on which to rely for the bulk of our revenue. More than any other, it takes ability to pay properly into account. We must, I consider, rely upon it as heavily as we can, subject to the limits imposed by its effects on incentive and efficiency.

My quarrel with the minister all during the war was that he was too cautious, that he paid too much attention to the people in the higher income brackets, who are few in number but apparently quite powerful.

Mr. ILSLEY: Is eighty-five per cent not high enough for these fellows?

[Mr. Nicholson.]

Mr. NICHOLSON: No, I think not, as I shall show a little later on.

Mr. KNOWLES: It was ninety-two per cent at one time.

Mr. NICHOLSON: The important consideration is, how much is left when the Minister of Finance takes away eighty-five per cent? My figures will indicate that the fifteen per cent which is left is more than adequate.

Let us go back to the seventeenth century in which the hon. member for Muskoka-Ontario would like to live. We find a division of income at that time similar to what we have now. We start with the labouring people. There were apparently about 364,000 in this category. For my purpose I am taking the pound at $5. These 364,000 labouring people had an annual income of $75. The next class was common seamen; there were 50,000 of them and they received $100 a year.

Mr. DIEFENBAKER: What year was that?

Mr. NICHOLSON: That was back in 1688, in the seventeenth century. The farmers then as now were getting pretty rough treatment. There were 150,000 farmers who received an annual income of $212. Shopkeepers and tradesmen, of whom there were 50,000, received an annual income of $225. Then we come to the lesser clergymen, of whom there were 8,000—

Mr. GRAYDON: Here is where my hon. friend comes in.

Mr. NICHOLSON: Yes, that is my category. I was up in the north country with the veterans of the last war. There were 8,000 lesser clergymen who received an annual salary of $250. The military officers were a little better off. There were 4,000 of these and they received $300 a year. The next class were persons in liberal arts and sciences. They had rough treatment then as now. There were 75,000 and they received $300 a year. The next class is eminent clergymen. There were 12,000 of them who received $360 a year. I would remind the house that the lesser clergymen received $250. Naval officers, of whom there were 20,000, received $400 a year. Lawyers were better off, but not as well off as they are now. There were 10,000 of them who received $770 a year. There were 8,000 lesser merchants and traders by sea who received $990 a year, and 2,000 eminent merchants and traders by sea who received $2,000 a year. The last two categories are the spiritual lords and the temporal lords. There were only twenty-six spiritual lords, but they

had an annual income of $6,500. The temporal lords, of whom there were 160, had an annual income of $16,000.

Mr. BROOKS: What does it all add up to?

Mr. MACKENZIE: What year was this?

Mr. NICHOLSON: This was back in the period in which the hon. member for Muskoka-Ontario would like to live, the good old days when we had some incentive, something to work for.

Mr. ROSS (St. Paul's): May I interject that those were the days when there was a socialist government in England.

Mr. NICHOLSON: I should like to bring to the attention of the Minister of Finance some information which is contained in the national accounts income and expenditure 1938-1945. I am sorry the hon. member for Muskoka-Ontario is not in his seat at the moment.

Mr. BROOKS: He is not missing anything.

Mr. NICHOLSON: It gives a pattern which has a remarkable similarity to what I have just given. On page 33 a table appears entitled "Estimated distribution of all income recipients in the armed services and non-agricultural occupations by income classes, Canada, 1942". This table gives the income classes from $0 to $250, from $250 to $500, from $500 to $750. The next page gives the estimated distribution of aggregate income in the armed services and non-agricultural occupations by income classes, Canada, 1942. I should like the house to follow me in a simplification of these two tables, where I indicate how we distribute the national income in Canada. It is rather hard to interpret this in terms of the incomes of individuals, but if we take 1,000 we shall, I think, accomplish our object. The table indicates that over four million people were taken into account in this compilation, but I shall use the figure 1,000. The table will then read as follows:

Basis=1,000 No. of persons	Average annual income
84	$142
100	376
138	652
127	874
112	1,125
118	1,373
93	1,624
67	1,866
79	2,215
34	2,706
33	3,697
11	6,909
3	16,667
1	32,000

63260—217

I should like hon. members to picture a thousand people living in one community in Canada, having in that community eighty-four families each with an annual income of only $142, in the year 1942, and with one family having an income of $32,000. If you distributed your national income according to that pattern and had the thousand people living in one community you would certainly have trouble. It appears, however, that when you have the people in the top brackets in Montreal or Toronto or Winnipeg and the people in the lower brackets in Glace Bay, Hudson Bay Junction and Humboldt, where they are not familiar with the way the wheels go round, then this condition is tolerated. I was talking the other day to a friend who is an importer of British woollens, who is selling high-priced materials here in Ottawa. He said he went into one of the stores in this city, and was afraid the high prices that must be paid for these superior goods would frighten the storekeeper. The merchant said, however, "Oh, that doesn't mean anything these days. We are selling men's pyjamas at $75 a suit." I do not suppose they are selling very many of them, but apparently we still have an income tax structure that leaves a few people in the highest brackets with sufficient to spend on that scale.

The minister has made some revisions in the rates, and again I have simplified the results so that I personally may be able to understand a little better just what the position is. Again for this purpose, as for the other table I mentioned, I have taken a year as 300 days rather than 365, in order to simplify the calculations. There will be nothing allowed for Sundays and a couple of weeks' holidays, but on the basis of 300 days a year this table shows the annual income of various groups, the daily rate remaining after payment of tax, and the increase that will result from the tax revisions:

Gross Income	Single Persons Yearly	Daily	Increase
$ 700	$ 700	$ 2 33	·03
1,000	945	3 15	·08
2,000	1,687	5 62	·19
3,000	2,407	8 02	·33
5,000	3,794	12 65	·82
10,000	6,962	23 21	1·95
20,000	12,100	40 33	4·54
30,000	16,600	55 20	6·71
50,000	23,909	79 70	10·77
75,000	31,485	104 95	14·80
100,000	37,984	126 61	18·22
200,000	56,559	188 53	21·12

Then I should like to give the same comparison for married persons without children:

Gross Income	Married Persons Yearly	Daily	Increase
$ 2,000	$ 1,882	$ 6 27	·25
3,000	2,617	8 72	·36
5,000	4,027	13 42	·61
10,000	7,277	24 26	1·46
20,000	12,512	41 70	3·82
30,000	17,012	56 71	5·56
50,000	24,359	81 20	5·15
75,000	32,009	106 70	11·36
100,000	38,509	128 36	13·39
200,000	57,159	190 53	10·94

I agree with the minister that the amount of revenue that would be obtained from the relatively small number in these higher income brackets would not be great; but after asking our people to tighten their belts during the war, I think an income, after all taxation, of over $57,000 a year for a married man without children is unnecessary. I remember that on a previous occasion the minister indicated that he did not really know what people did with such large amounts of money, that he had not had those amounts himself and had no particular desire to have them. It may be that I have peculiar views regarding these matters, but I think the prime minister of a country should have the highest income in that country. I cannot think of anyone who, in the minds of the people, should have a more adequate income than the prime minister of a country. I believe also the Minister of Finance should stand very high on the income list, and I think it must be very difficult for him to justify the "take-home pay" he has for himself, while year after year bringing in budgets which leave so much to the few in the higher income tax brackets. I believe that if the hon. member for Muskoka-Ontario would compare the two tables I have just given he might feel that the minister has kept reasonably close to the standards which prevailed back in the seventeenth century, when it comes to rewarding people in these various groups.

Before I conclude, I should like to say just one word about the failure of the Minister of Finance to indicate a more positive programme in connection with dominion-provincial relations. Recently I received from the attorney general of Saskatchewan some comments regarding the proposals as they affect that province. He says:

> In Saskatchewan's case for example under the conference proposals we were to give up the right to impose income, corporation and inheritance taxes and in return were to share in the benefits resulting from:
>
> (1) per capita grants of $15 costing the dominion 198 million annually;
>
> (2) public investment and unemployment assistance and other grants estimated at roughly 150 millions annually·
>
> (3) health insurance and grants worth an eventual 165 millions;
>
> (4) an old age pension offer worth 220 million.
>
> All figures are taken from the *Financial Post* of July 6.
>
> In other words the dominion was prepared to spend 733 millions in return for exclusive rights in the three tax fields. Of this Saskatchewan would have received her share.
>
> Under the budget proposal Saskatchewan is required to pay the full price fixed for an expenditure by the government of 733 millions but what she gets in return is only a share of a federal expenditure of 198 millions.
>
> Under the new proposal the government is spending 535 millions less than offered at the convention. On a population basis Saskatchewan would have participated in that expenditure to the extent of approximately 40 millions.
>
> In other words, under Mr. King's proposal of April 29, 1946, Saskatchewan would have received her proportionate share of 733 millions or 53 millions. Under Mr. Ilsley's new proposal Saskatchewan will receive only 13·7 millions and we give up or lease or lend to the dominion exactly the same things, namely income, corporation and inheritance taxes and our statutory subsidies.

The government of Saskatchewan has taken the position that the offer is better than no offer at all, but it is not good enough considering the needs. The federal government is the one authority that can find funds for housing, for old age pensions, for social security, for health services; and if at this time we do not receive positive leadership from the federal authority, I very much fear that the trend will be accelerated under which the provinces will be unable to deal with these problems, and the municipal authorities will throw up their hands in despair.

After having demonstrated that we could defeat our nazi enemies across the seas, by making extensive efforts, it is strange if we cannot solve the problem of poverty in the midst of plenty in our own country. So I hope that before the resolutions have been passed we shall have some revision of the federal government's proposals to the provinces, and also that there will be some indication that the people in the lower income tax brackets will receive relief, while those in the higher income tax brackets, who are better able to pay, will have their taxes maintained at the high levels which prevailed during the war.

Mr. D. G. ROSS (St. Paul's): Mr. Speaker, the hon. member who has just taken his seat made some reference to woollens. Goodness knows it is hot enough to-night, without that.

(Translation):

I suffer from the heat to-night. I am sorry that Mr. Speaker is not in the chair at the present moment, so I could tell him how much

I sympathize with with him because he has to wear an additional garment in this period of hot weather. I have nothing to suggest for his comfort, but I have some suggestions which I shall make in English concerning the hon. members.

(Text):

Mr. Speaker, this business of calling parliament late in the year is getting to be a habit, and it is perfect nonsense. Let us get down to work early next year—and every year—and not have to sit here until late in the year. But this practice of calling parliament late has become well-known government policy; it has been the same since I have been in the House of Commons. It has been a policy of, "Put everything off; put everything off; keep putting everything off". I say that is not a real policy, at all.

When one asks what the government's policy is he is told, "Oh, we will give it to you in good time." But it is always the same old story—"Put it off; put it off".

Before saying a few words about the budget, I should like to make some other observations. At this time of the year, Mr. Speaker, it gets hot. I sympathize with you, sir; I sympathize with the clerk; I sympathize with the assistant clerk; I sympathize with the sergeant at arms— all of you with your regalia. The only one I do not sympathize with is the deputy speaker, because he has not got his regalia yet.

I know we wish to observe decorum in the House of Commons. I know we want to do that, by being decently dressed. But it is very hard these days to get ice cream suits; in fact, one cannot get them, although I see one across the floor. He is a pretty lucky man.

Why should members of the House of Commons suffer in weather like this? Why should we not be allowed to sit here in clean white shirts?

Mr. MACKENZIE: Pyjamas?

Mr. ROSS (St. Paul's): We would all be better off. All this business of having to wear coats, and things like that, in the House of Commons, is all very well; we want to observe the decorum of the house. But I put this down, too, to lack of policy on the part of the government.

An hon. MEMBER: You cannot call it extravagance.

Mr. ROSS (St. Paul's): Custom is a funny thing. In the old days soldiers were not soldiers unless they wore red coats, and had their buttons shined. But the last war taught us something different. As a Progressive Conservative and, as a matter of fact, as a darned good Tory as well, I say that if we are going to have to put up with the vagaries of the party in power to-day, then certainly the least they can do for us would be to give some attention to the health and comfort of members in the house by letting us take our coats off.

I like to see hon. members properly dressed. Indeed, I recall when Charlie Dunning came to the house to give his budget he was always well dressed, wearing his morning coat and his pin-striped trousers. He looked well in them, too. I should like to follow his example, and be well dressed, too. We had great respect for him.

But times have changed. I noticed that when the present minister gave his budget speech he did not wear a morning coat or striped trousers, but just an ordinary business suit. And, after having looked at the budget and having seen what is in it, I think it would have been much more appropriate if the minister had worn his mourning suit—spelled "m o u r n i n g".

I now address myself to the budget, and what I shall describe as a presentation for Canada. The author was the Right Hon. J. L. Ilsley, his assistants, the bureaucrats and the unrealistic brain-trusters. The name of his presentation is "The Government's Great Extravaganza. Continuous performance, at high cost to the taxpayers of Canada; come and be disillusioned!"

Mr. GRAYDON: No rain checks?

Mr. ROSS (St. Paul's): What I think of this budget is that it is a budget of remote control, so remote from the people of Canada who are in business that it is removed entirely from all realistic business and all life.

Making these few observations in the budget debate my thoughts go back to 1945, in the spring of which year we had no budget. Individuals who were in business had to wait until the fall of that year before they knew where they stood. Certainly it was not for lack of asking for a budget. Of course we know why it was not brought down in the spring of 1945. There was an election in sight, and the government was simply scared to death to declare its position.

Again this year we began to wonder if we were going to have a budget. Again it was not for any lack of asking when it would be brought down. Finally, we waited until June 27 before it was received. Everybody knows that, so far as business is concerned, it is necessary to have the budget brought down in the early part of the year. But it is becoming a habit—I hope it does not become

chronic—to bring the budget down late. Delay is not good. This procedure simply goes to show the government's uncertainty of mind.

The budget, when it was finally brought down, has demonstrated a lack of determination on the part of the minister and his bureaucrats as to where the government is going.

Before I forget, while I am talking about bureaucrats, I wish to congratulate the minister upon the announcement that was made, and as reported in the press, respecting his having a bit of a holiday. I hope he has a long voyage, and that he gets as far away from those unrealistic bureaucrats as he possibly can. If he does, I know he will be a darned sight better man when he returns.

The budget shows a failure on the part of the government to face issues before us. They try to face them, but only succeed in facing them both ways. To my mind, the budget has been prepared by impractical theorists. I would ask the minister, what businessmen were consulted in its preparation? Is there anything practical in it? I am certain that no businessmen of any standing have been consulted in the preparation of this budget.

The minister may say that he could not bring down the budget earlier this year until such time as an agreement had been reached between the dominion and the provinces at the conference. That is no excuse. I am sure that the minister knew or he should have known or had a pretty good idea that the conference could not reach an agreement in view of his lack of give-and-take. The attitude of the dominion government has been uncompromising, rigid; there has been no spirit of compromise, no spirit of good will. How could there be, when everybody knows that the whole attitude of the government in connection with this matter was nothing more or less than political? The conference has not failed. Progress has been made, and another sitting should take place at the earliest possible moment. It may be, however, that the unwillingness to compromise and the lack of patience and the fact that the minister has now drawn the big stick may mean that the day will have to be put forward when an agreement can be reached.

As I said before, the budget should have been brought down earlier. It is unfair to business and unfair to individuals to make them wait to this late day in the year to make their plans and to have to carry on with a feeling of uncertainty.

But now that the budget has been brought down, and after all the promises and all the forecasting by the minister—it will be remembered how the Minister of National Revenue (Mr. McCann) made a big speech in Renfrew and told everybody how much of a reduction we were to have in taxation—after all that, what a shock this budget has been to the House of Commons, the members of parliament and to the people of this country; and after listening to the speeches which have been made by members opposite we know what an awful shock it has been to them too and what an awful time they are going to have defending it.

This budget is probably the craziest fiscal doctrine ever brought down in the history of this country—and I mean crazy. It is absolutely the craziest thing that has ever been brought down. That is its one outstanding feature. As one listened to it and read it, one fact could no longer be hidden, and that is the administrative ineptitude of this government. Evidence of this has been accumulating over a great length of time. The government can think of nothing but spending hundreds of millions of dollars, and they have no practical ideas about where we are going.

Another fact about the budget is that at the very time when boldness is needed it shows a remarkable lack of courage, the greatest timidity in any budget to which I have ever listened. It is full of political promises. The taxpayers are asked to accept a poor measure of relief which will be operative for only three months of next year. Never has parliament been asked to approve tax reductions such as these. They are inoperative in the fiscal year in which they are introduced. If anybody can tell me that that has ever been done before, I should like to know about it. Not only that, but parliament has no power to guarantee financial programmes beyond the period from April to March to give any further relief to the poor old taxpayer. We are not even sure that we are to have this relief next year, because the government has other commitments.

We have a deficit of $300,000,000, and proposals to pay the provinces some $414,000,000; probably further increases in the children's allowance, as well as government non-war commitments, and there is no endeavour on the part of the government to cut administrative costs. All this is reckless and unrealistic in the face of stern realities as we see them to-day. What hope is there when all these commitments which I have mentioned are taken into account?

Another feature of the budget, which, to my mind, is blind stupidity, is its failure to make the tax reductions operative now, particularly for the low and middle income groups. The budget should have allowed them more "take-

home pay" and should also have given some relief now to business from the excessive burden of taxation. In failing to give this relief now, the minister has closed the door to the only important stimulus to insure production at reasonable prices and also to maintain a high level of employment and national income, which are so essential for sound reconversion and stabilization. Last year the Minister of Finance stated:

> During the war there has been built up a system of taxation which is discouraging to investment, to enterprise and to consumer expenditures . . . I recognize that in the course of six years war-time taxation has begun to blunt incentives, and if continued indefinitely will paralyse the development of industry and trade.

He went on to emphasize:

> . . . the great and harmful effect which our present high personal income tax is having in discouraging work and initiative in all groups at a time when we need a rapid expansion of employment and a willing mobility of labour.

Believing this, why has the minister not the courage to act on his own convictions? If he believes in production, why continue to blunt the incentive and aid in paralyzing the development of industry and trade, and continue the great and harmful effects of the present high income taxes?

The minister is so imbued with the danger of inflation that we have these timid proposals put forward in the budget. On the other hand, the minister thinks he is taking a great big chance, for in the final quarter of the fiscal year he is going to reduce taxation. Is it not true that the high taxes on corporations and the present labour unrest are a great detriment to production? That vital fact has been demonstrated in industries such as building supplies. Increased production means the use of more than one shift and possibly overtime. What industry is going to run itself into the ground, wear out its machinery and depreciate its assets by a two or three-shift operation under present circumstances? What industry is going to exhaust its resources for the sake of paying excessive taxes? What incentive has a workman to work full time when he receives so little extra "take-home pay"?

The excess profits tax may have been justified in war time when it was operative because of the patriotism and war spirit which then prevailed. In those days the people were not interested in making money; they were interested only in turning out goods because they knew that if supplies were not forthcoming for the allies they would not have to worry in the future about what would happen to them. As I say, the excess profits tax may have been justifiable in war time, but it is folly to encourage waste and to encourage extravagance. The minister knows that as well as I. If this habit of waste and extravagance is continued it will put Canada and Canadian manufacturers in an unenviable and disadvantageous position in the markets of the world when competing for foreign trade.

Furthermore, in a growing country like Canada such a policy hampers to a great extent young growing businesses. It is also grossly unfair to certain industries which put up with it during the war for patriotic purposes and who, through no fault of their own, experienced abnormally low profits during the basic period 1936-39. Is it not obvious that a sizeable reduction in the tax of the workers would mean an immediate increase in "take-home pay", which in turn would mean an immediate increase in the amount of pay that could be taxed?

Such a policy would have a tremendous effect in discouraging strikes. If there had been a sizeable decrease in the taxation on those men who are making reasonable salaries I doubt very much if the Minister of Labour (Mr. Mitchell) would have had to put the steel works under a controller.

The cost of living has been rising steadily, which rise stems from the withdrawal of subsidies. These subsidies have been paid for by the workers themselves; they provided the subsidies. To my mind, the tax proposals proposed for three months of next year would no more than balance the practical increased cost of living, not the theoretical increase. A sizeable decrease in taxation of workers would stimulate production. It would provide some incentive and give some hope to the workers of earning a decent living. It would increase the national income and the revenue therefrom.

I realize it has cost a lot of money to fight this war to preserve our freedom, and we must pay for it. That may take more than a generation; certainly it will be more than one short year before we can expect any great decrease in our taxes. But this is no time for timidity; bold action is required. The minister and his bureaucrats are imbued with the fear of inflation, or perhaps I should say the theoretical danger of inflation because there is still the law of supply and demand. The people of Canada are beginning to see the results of this two-faced product, the budget.

The answer to inflation is greater production, and our object in Canada should be to use every means possible to produce the goods that are wanted, to produce them in greater volume so that there will be more goods at reasonable prices rather than fewer goods at high prices. That was the advice given

to the minister and it is sound advice. The minister contributed some advice for the businessmen. He urged them to do everything to hold prices down and get volume up. That is as far as the minister went; that is where he missed the boat. He should have spoken to a wider audience, he should have spoken to labour and given them some hope of an increased "take-home pay". The businessmen cannot do everything, but incentive can and there is no incentive in this budget.

Labour is the vital factor, often the dominant factor in determining prices. The attitude of labour and its leaders will have much to do in determining whether prices are kept down to reasonable levels. The attitude of labour will be the determining factor to a great extent on the action taken by this government in the way of tax relief now, not next year. What is the other factor? It is the consuming public. Already there are signs that the consuming public is far from satisfied with either the flow or the quality of goods which are at present being produced.

We may see again a repetition of what happened after the last war when the public went on a buying strike. Of necessity that was a detriment to business, a detriment to labour and a detriment to everybody else. A depression followed, and this may be the result of a budget that is timid as far as taxation is concerned. The budget is too little, too late. The ministers and their advisers could not make up their minds whether to pep up or pep down business. This is just another example of government policy—too little, too late.

We can see the results of this high taxation, both personal and corporation, upon the production of houses for the veterans of this war. Material is in short supply because there is no incentive to produce. Labour has no incentive to work beyond a certain number of hours a week because of the small amount of extra "take-home pay". What further folly is proposed? To my mind, this is just silly. I do not know who thought this up. When production is so necessary it is proposed that where a husband and wife are working, everything that the wife makes over $250 must be taken from the exemption of the husband. Those are the exemptions proposed, although it is true that they will apply for only three months of next year.

Most things are in short supply to-day, but there is something else that is very necessary and we have it if only we will take advantage of it. There is a tremendous potential buying power among the Canadian people, and certainly the incentive to produce should be provided.

One word about the housing situation. There is no doubt about it that as far as overcrowding in my riding in Toronto is concerned, it is the direct responsibility of this government. I have pointed out, time after time in this house, what would happen, and I suggested precisely that which did happen in regard to the obvious increase in the number of employees at Malton and the people on the outskirts of the city. I pointed out that there were upwards of 25,000 workers alone who had to be housed, not taking into consideration their dependents. Not only do these people have to travel from twenty to twenty-five miles to and from work every day, but the situation is so serious in that city, and more especially in my riding, that efforts should have been made to meet the housing shortage. Wartime housing was put up in other towns and cities, but we never got a five-cent piece unless we yelled for it. The people occupying wartime houses in other cities and towns are still occupying them. I submit that wartime houses should have been put up in the proximity of these plants; but, time after time, when I questioned the Minister of Munitions and Supply as to what he would do to relieve the situation, in view of the fact that these people had done the best they could, I got no satisfactory reply. We have a situation of overcrowding which is, to use a slang phrase, like nobody's business —fifty-three people living in one house, and all that sort of thing. As a matter of fact, I am sick and tired of talking about it, because nothing has been done to improve matters. There has been a lot of talk about what will be done, but that does not provide houses. When I brought the seriousness of this situation to the attention of the Minister of Munitions and Supply the answer I received was that Toronto ought to look after its own housing.

I now come to another important matter and that is economy, and the inability of the ministry to cope with necessary economy after the war. Some figures have been quoted as to the total number of employees of the government of Canada, including employees of boards and commissions appointed as of March 31, 1945, and March 31, 1946, and also as to salaries, wages and allowances paid to such employees in the month of March of each of those years. I want it distinctly understood that I am not talking about the regular civil service but about boards, commissions and so on. These figures are derived from sessional paper 98 and a sessional paper

I received last year. Having looked into them two or three times, I find omissions, so that I do not know whether they are correct. Certainly some of them are incorrect and that is why I wish to quote them again to-night, because some of these figures will shock hon. members.

Some figures have been quoted by other hon. members as well as by myself, in which a comparison is made of different years. I pointed out, as other hon. members have done, that there has been a reduction of only some 900 in the number of these employees. I noted that there was one omission. I do not know how many others there are and therefore I got a supplementary return to-day. In the last return, March 31, 1946, there is an omission. The national harbours board had 1,890 employees, and salaries and wages paid for the month of March were $289,429—quite a sizeable amount. This shows that, instead of a reduction of 900 from March 1, 1945, to March 1, 1946, there was an increase of 900, and an increase in wages of $1,080,691. This does not tell the whole story. There were others in the employ of another government company which will further swell the rolls. That is War Assets Corporation. As of March 31, 1946, there were 5,413 employees. I have not the monthly payroll and so I shall have to give an estimate. What does this all add up to? It shows that, instead of the meagre reduction which I stated in the house once before, of 900, there has been an increase altogether of 6,046 employees, or a total increase in payroll of $4,500,000 yearly. That, as I say, is an estimate. I understand that it is nearer $5 million, but I am putting it at the smaller amount. This brings the total number of employees to 156,657, and the total payroll for Canada to $245 million a year.

The Minister of National Defence (Mr. Abbott) this afternoon spoke about controllable expenditures. He suggested that we had controllable expenditures of something like $200 million. But, Mr. Speaker, there is $245 million there in the payroll of Canada. What nonsense it is for him to say that there is only $200 million of controllable expenditures.

Not only that, but there seems to be no effort on the part of the administration to reduce rather than to increase. It means, taking an average of three in a family, that 475,000 people are being supported by the rest of the taxpayers of Canada. We cannot stand it. We have not enough people in Canada to pay these salaries. Economy must be practised, and there does not seem to be any reason why the government should not make an effort in this direction. But no effort will ever be made by this administration which is so inept at reducing salaries.

When one considers some of the departments of government and sees increases in so many, he can only come to the conclusion that no effort is being made by the administration. Let me run through a few of them. The minister says that some moderate increases have been made. Well, I do not think the increase there up to $245 million is moderate, considering all the other things that are going on at the present time. Take the Department of Agriculture. In March, 1945, we had 4,185 employees. I should think that in agriculture the country would need more people during the war to take care of the requirements, but we find we have now 4,606, or an increase of nearly 500. Take the civil service commission. In 1945 the figure was 586; to-day it is 713. Take the minister's department, the comptroller of the treasury. In 1945 it had 7,747 employees; to-day there are 9,232. I should say these figures are given as of March each year. In external affairs there were 340 employees in 1945, this year 625. In the finance department, another department of the minister, there were 765 employees in March 1945; there are now 827. In the mint there were 161 in 1945 and 286 in 1946. In fisheries there were 530 in 1945; there are now 620. In justice there were 1,023 in 1945; there are now 1,114.

I now come to the army, navy and air force. I shall take only some of them. Here we have the conditions which the hon. member for York South (Mr. Cockeram) described a little while ago. The air force had 12,524 employees in 1945. They have now only 5,936. The army had 16,683 in 1945, and there is a reduction of fewer than 3,000 There are now 13,701. The navy had 13,542 in 1945 and they still have 10,187 civilians in the Department of Naval Affairs at the present time. What in the world do they do with all these people? Of course, the Department of National Health and Welfare has gone away up.

Mr. SPEAKER: I am sorry to interrupt the hon. member, but he has spoken for forty minutes.

Mr. ROSS (St. Paul's): I wanted to pay a compliment to one department.

Some hon. MEMBERS: Continue.

Mr. ROSS (St. Paul's): The department of printing has set a good example. With all the extra work that it has had to do it had only 759 employees last year, and in March of this year it had 774. Probably they need more.

I want it firmly understood that I am not criticizing the people who are in the employ of the government. Possibly some of the departments are understaffed. I know something of the conditions of work in the income tax branch in Toronto. They are packed in there worse than any Norwegian sardine. There is overcrowding which does not lend itself to efficiency. You cannot bring more people there and pack them in and expect to have anything done. They need decent conditions under which to work. I do not know the conditions under which they work, but I wish to see them decently housed. I do know something about the income tax department in Toronto but not anywhere else. These people have responsible positions and they deserve to be decently accommodated. It is an inescapable fact that if we needed 150,000 people in March, 1945, when the war was on, we do not need as many people in civilian jobs to-day.

This administration have become war-minded; they have been thinking in hundreds of millions and billions of dollars and they are now incapable of grasping the need for economy in an endeavour to give the taxpayers some relief. After all, the taxpayers need some consideration. It is beyond my comprehension why, now that the war is over, a reduction of staff does not take place. A great number of these employees, good employees, could be returned to productive employment.

On motion of Mr. Sinnott the debate was adjourned.

On motion of Mr. Mackenzie the house adjourned at 10.40 p.m.

Monday, July 15, 1946

The house met at three o'clock.

PRIVILEGE

MR. FLEMING—REFERENCE TO REPORT IN TORONTO "DAILY STAR", JULY 13

Mr. DONALD M. FLEMING (Eglinton): Mr. Speaker, I rise to a question of privilege. In the Toronto *Daily Star*, the issue of Saturday, July 13, on page 11, in a report of the budget debate of July 12, there appears this paragraph, affecting myself.

Donald Fleming (Prog. Cons., Toronto-Eglinton) declared present income tax collection methods "educate our people to become professional scoundrels and rascals." He demanded exemptions for single persons be raised to $1,500 and for married persons to $3,000,—

[Mr. D. G. Ross.]

I interject there, Mr. Speaker, that I never said any such thing. The remainder of the sentence is:

—and called the tax reductions in the budget "phantom" cuts.

Mr. Speaker, I did call the reductions in the budget "phantom cuts", but that is the only accuracy in the entire statement which I have read. The criticism that I offered of tax collection methods was on a quite different point; and I should be the last person in the world to say that Canadians were, even in spite of these methods, being educated to become professional scoundrels and rascals.

OFFICIAL SECRETS ACT

TABLING OF FINAL REPORT OF COMMISSION OF INQUIRY

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, I desire to lay on the table copies of the final report of the royal commission appointed under order in council P.C. 411 on February 5 to "investigate the facts relating to and the circumstances surrounding the communication by public officials and other persons in positions of trust of secret and confidential information to the agents of a foreign power."

There have thus far been three interim reports by the commission, all of which have been tabled in the house. These are as follow: first interim report, March 2, 1946, tabled March 14, 1946; second interim report, March 14, 1946, tabled March 15, 1946; third interim report, March 29, 1946, tabled March 29, 1946.

The final report, which I am now tabling, as hon. members will observe is dated June 27. I think I should make it clear that the physical work of printing the first copy of the report for presentation was not completed until July 12. It has been received only to-day by the governor in council to whom it is addressed.

I have gone through the report rather hurriedly and have noted some of the outstanding features. I have thought that the house would wish to have something in the nature of a resumé, but the report is a very lengthy one, with its quotations, appendices and the like, so what I am giving is not intended to be in any way all-embracing, but simply essential features.

The circumstances in which it was decided to appoint the royal commission of inquiry are well known. It is not necessary to review them to-day. The investigation has been completed; it confirms the seriousness of the situation which the government asked the commission to investigate.

In this connection, however, I should like to quote a paragraph from the report, page 87, which relates to the position of the Soviet ambassador. It is as follows:

The evidence before us is that those members of the embassy who were engaged in improper and inadmissible activities operated in special sections of the embassy the operations of which were quite distinct from the official and legitimate activities of the Soviet embassy, and that the Soviet ambassador, representing in Canada the government of the Union of Soviet Socialist Republics, had no part in them.

As a result of findings contained in its interim reports, proceedings have been instituted in a number of cases and four persons have been convicted and sentenced. Other cases are awaiting trial, and I shall not refer to them.

When the inquiry was undertaken, I said that prosecutions would be instituted where the evidence warranted it. This has been done, but prosecutions and punishments are essentially secondary matters. Publicity, education and full understanding are better preventives of any recurrence of any such state of affairs as that disclosed by the report of the royal commission. In that process of education and understanding, the report itself is a very important instrument. It deserves the thoughtful study of all Canadians who feel that there is no place for espionage and underhand activities in the public life of our country.

I shall not on this occasion attempt to comment on the contents of the report. With appendices it runs to over 700 pages. It requires and will repay careful study. I desire however to place upon the record a summary of the findings of the royal commission and the statement of their recommendations as set forth in sections XII and XIII of the report.

Section XII

I. We report that the following public officials and other persons in positions of trust or otherwise have communicated, directly or indirectly, secret and confidential information, the disclosure of which might be inimical to the safety and interests of Canada, to the agents of a foreign power:

1. Eric Adams
2. J. Scotland Benning
3. Raymond Boyer
4. H. S. Gerson
5. Israel Halperin
6. David Gordon Lunan
7. Allan Nunn May
8. Edward W. Mazerall
9. Matt. S. Nightingale
10. F. W. Poland
11. David Shugar
12. Durnford P. Smith
13. Kathleen Mary Willsher
14. Emma Woikin

II. We report that we have been unable to identify the following persons named under "cover names" in the documents and there definitely stated, to have been members of Zabotin's ring:

"Galya"
"Gini"
"Golia"
"Green"
"Surensen"

III. We also report the following facts relating to and the circumstances surrounding such communication:

1. There exists in Canada a fifth column organized and directed by Russian agents in Canada and in Russia.

2. Within the fifth column there are several spy rings.

3. We have been able to identify many of the members of one of these rings, namely, that of which Colonel Zabotin was the head in Canada.

4. Membership in Communist organizations or a sympathy towards Communist ideologies was the primary force which caused these agents to agree to do the acts referred to in their individual cases.

5. The persons named in paragraph I were members of Colonel Zabotin's organization.

6. Without documents such as Gouzenko placed before us we cannot identify any non-Russian members of the other rings.

7. There was an organization whose duty it was to procure false Canadian passports and other citizenship documents for the use of agents engaged in fifth column activities, in Canada or elsewhere.

8. Zabotin and his assistants were helping to supervise and finance the work of an organization of agents operating in certain European countries. At least one person temporarily in Canada as an employee of the international labour office was a member of this organization, namely, Germina (Hermina) Rabinovitch.

9. Members of the staff of the Russian embassy at Ottawa who were actively engaged in inadmissible espionage activities are named in Section II.7.

IV. The following persons who may not come within the category of "public officials and other persons in positions of trust or otherwise" were members of Zabotin's organization and took an active part in recruiting agents, acting as contacts and securing and transmitting such secret and confidential information:

Sam Carr
Fred Rose.

V. Many of the persons named in paragraph I hereof were also actively engaged in the organization of "cells" from which agents were recruited, and in addition the following persons were organizers of such cells, or media of communication between espionage agents, or both:

Agatha Chapman
Freda Linton
S. S. Burman
Henry Harris.

VI. The following were active in procuring a false Canadian passport for a Russian agent who was operating in the United States:

Sam Carr
Henry Harris
John Soboloff, M.D.
W. M. Pappin.

VII. The following persons named in the documents did not so far as the evidence discloses take any active part in the subversive activities, but would have done so if required;

Norman Veall
Fred Chubb
Jack Isidor Gottheil.

VIII. The names of certain other persons are mentioned in the documents merely because Moscow desired the names of all members of certain government staffs. Outside of those specifically named elsewhere in this report, there is no necessity for these names to be mentioned.

IX. The names of certain other persons were mentioned in such a context that it was considered advisable to examine them and to investigate their activities. In each case we were satisfied that their conduct has been entirely proper and that while the Russians designed to draw some of them into the net in future, having in anticipation of doing so actually given them cover-names, such hopes were in our opinion completely without foundation and the objects of those hopes were unaware that they were being considered. Among these we refer to Colonel Jenkins by name, because he has been mentioned by name in the public press.

X. The names of a number of persons, in government service and otherwise, who were members of secret Communist cells have been disclosed by this inquiry. These names appear in the volume of evidence. As there is no evidence that these persons were implicated in, or aware of, the espionage networks, we do not consider it necessary to mention these names in this report.

Section XIII

Recommendations

We respectfully recommend:

1. That, because of the introduction into the evidence, necessarily and unavoidably of secret technical data, the publication of which, according to the witnesses most concerned, would not be in the public interest at this time, none of the evidence or exhibits relating to any top secret, secret, restricted or confidential matters be published except with the approval of the government in consultation with the heads of the services, departments or organizations concerned.

2. That the proper authorities in each service, department and organization take such steps as may be considered desirable and effective, in the light of this report and of the evidence and exhibits, to prevent further unauthorized transmission of information and to set up further safeguards.

3. That all security measures should be coordinated and rendered as uniform as possible.

4. That the evidence and exhibits accompanying this report be placed before the proper persons in the various services, departments and organizations affected, for study so that a complete evaluation of the information and material handed over can be made in each case to ascertain in detail what has, and what has not, been compromised. That consideration be given to whether the findings so made should be communicated to the proper authorities in the United Kingdom and the United States.

5. That the Official Secrets Act, 1939, be studied in the light of the information contained in this report and in the evidence and exhibits and, if it is thought advisable, that it be amended to provide additional safeguards.

6. That consideration be given to any additional security measures which would be practical to prevent the infiltration into positions of trust under the government of persons likely to commit acts such as those described in this report.

7. That the practice and procedure in connection with the issue of Canadian passports be revised. While not elsewhere referred to in this report, we have had evidence indicating that naturalization and birth certificates have also been improperly obtained. We therefore suggest that the conditions surrounding the issue of these documents might be the subject of consideration by the proper authority.

In conclusion I should like to say a word of appreciation of the service to the state which has been rendered by the members of the royal commission, by the counsel associated with them and by the officers of the public service who have assisted them in their investigations. Their task has been long and arduous. They have worked at it unremittingly and with a high sense of public duty.

Mr. COLDWELL: I should like to direct a question to the Prime Minister. I notice that the name of Doctor David Shugar is included. Doctor Shugar has since been acquitted by the court. Should not that fact have been recorded in presenting this report to the house? Once a man has been tried and acquitted, I think a note should be made of the fact in order to clear up the situation.

Mr. HOMUTH: He was not tried. He was not even sent up for trial.

Mr. COLDWELL: The case was dismissed.

An hon. MEMBER: He was not even committed.

Mr. MACKENZIE KING: I am unable to say at the moment whether the reference here covers all that relates to Doctor Shugar. It is possible there is another connection to which this may have reference. I am sure, however, the public will be happy to take notice of what my hon. friend has said.

LABOUR CONDITIONS

STRIKE IN STEEL INDUSTRY—MOTION FOR ADJOURNMENT UNDER STANDING ORDER 31

Mr. A. L. SMITH (Calgary West): Mr. Speaker, pursuant to standing order 31, I beg leave to move the adjournment of the house to discuss a matter of urgent public importance, namely, the threat to the whole Canadian economy which now exists due to the unsatisfactory relations between management and labour, accelerated as it now is by the present strike in the steel industry.

Mr. SPEAKER: The hon. member for Calgary West courteously notified me of his intention to make this motion. I have had the opportunity of considering it and will not need to delay the house further by examining the motion. The hon. member is asking for leave to move the adjournment of the house to discuss an urgent matter. I must draw the hon. member's attention to the fact that this question is already before the house in the debate on the budget. During that debate, as he knows, it is the privilege of every hon. member to make any suggestion or recommendation to the government that he sees fit, and to discuss any matter which comes under government responsibility; therefore I do not see any urgency to adjourn the house to discuss the matter, and I cannot allow the motion to be proceeded with.

Mr. BRACKEN: I am aware, Mr. Speaker, that no debate is permitted on the decision you have made, but with all deference I must appeal against Your Honour's decision.

Mr. COLDWELL: May I respectfully point out that a large number of members who are interested in this question have already exhausted their right to speak on the budget, and therefore Your Honour's ruling will deny some hon. members the right of expression.

Mr. SPEAKER: I hope that I have explained my position clearly to hon. members. The object in moving the adjournment of the house under standing order 31 is to give hon. members an opportunity to discuss an urgent matter. During a session we have two debates, the first one on the address and the second on the budget, during which every hon. member has an opportunity to discuss any matter which comes under the jurisdiction and the administration of the government. In a few minutes the leader of the house will call the order to resume the debate on the budget. When that is done nearly all hon. members will have the opportunity to discuss this matter.

The leader of the C.C.F. party has called my attention to the fact that many hon. members have already spoken and will not be able to take part in the debate. I would answer him by pointing out that only forty-two members out of 242 have spoken thus far on the budget. Moreover, there is an amendment and a subamendment to the motion before the house. As the house knows, hon. members have an opportunity to speak on the subamendment and the amendment, and when that is disposed of they will have another opportunity to speak on the main motion. I believe therefore that it is my duty to refuse the hon. member leave, since, according to the rules of the house there is no urgency to adjourn the house to discuss the matter.

Mr. MacINNIS: May I draw Your Honour's attention to the fact that either it is an urgent matter or it is not. If it is an urgent matter, then Your Honour should allow it to be dealt with now. I have already exhausted my right to speak on the budget, but I should certainly like to speak on this matter, because it is urgent. It cannot be put off on the basis that there is an opportunity on the budget to discuss it. This is an entirely different matter, and hon. members should have an opportunity to express themselves on it.

Mr. MACKENZIE: May I rise to a point of order—

Mr. HOMUTH: There are five thousand employees in my riding who are threatened with unemployment.

Mr. MACKENZIE: May I refer to a decision of Mr. Speaker Black of February 19, 1932? On that occasion Mr. Speaker Black ruled that there was no appeal from the Speaker's decision under standing order 31, and he was sustained by an open vote of this house.

Mr. CASSELMAN: He was wrong then.

Mr. KNOWLES: Which way did the minister vote on that occasion?

Mr. MACKENZIE: It was done by a Tory Speaker.

Mr. SPEAKER: Order. May I quote from Beauchesne's Parliamentary Rules and Forms, third edition, page 747. On February 19, 1932, Mr. Ralston appealed from the Speaker's ruling on that occasion and he was not sustained. The house sustained Mr. Speaker when he ruled that there was no appeal from the decision of the Speaker under standing order 31.

Mr. MacINNIS: Did the Speaker rule that the matter was not urgent?

Mr. MACKENZIE: The Speaker ruled that there was no appeal from his decision.

Mr. MacINNIS: How did he rule in the first place?

An hon. MEMBER: Address the Chair.

Mr. MACKENZIE: In the first place the Speaker ruled that it was not a matter of urgent public importance. Mr. Ralston and I appealed from that ruling and we were not sustained.

Mr. KNOWLES: For once the minister was right.

Mr. SPEAKER: Hon. members know perfectly well that a ruling of the Speaker is not debatable. I have given some hon. members the opportunity to speak on this question because I wanted to have their views, but I must say that the Minister of Veterans Affairs is right. I would ask hon. members to turn to Beauchesne's Parliamentary Rules and Forms, third edition, at page 747, where they will find the following:

February 19, 1932

Honourable George Black, Speaker.

The Speaker's refusal to permit an appeal from his decision that it is not urgent to adjourn the house for the purpose of discussing an urgent matter of public importance being appealed from was confirmed by the house.

I would therefore ask the house to proceed with its business.

Mr. ROSS (St. Paul's): The ruling of Mr. Speaker Black and the ruling of Your Honour to-day are on a different footing. Mr. Speaker Black's ruling was based on something which is not comparable with the motion now before the house; the circumstances are altogether different. This is a question of urgency.

Mr. SPEAKER: Order. I would ask hon. members to proceed with the business of the house.

Mr. BRACKEN: Mr. Speaker, may I have the privilege of making an observation with respect to your ruling? The Minister of Veterans Affairs has referred to a ruling of the Speaker on February 19, 1932, and you have used it as an argument in support of your present decision. I believe the house should be allowed to have that earlier decision read to them. It is as follows—page 747, Beauchesne, third edition:

Mr. Ralston, from his place in the house, asked leave under standing order 31, to move the adjournment of the house for the purpose of discussing a definite matter of urgent public importance, and stated the subject to be:

The recent dismissal of between 200 and 300 officers and men of the Royal Canadian Air Force without regard to their families, their overseas service or their period of enlistment for service, and the embarrassing situation which may arise if they were forced by the necessity for employment to accept service with another nation.

Mr. Speaker ruled that the statement was not in order and that the matter was not one of urgent public importance and moreover that there was no appeal from his decision.

Mr. Ralston appealed from the Speaker's refusal to permit an appeal from his decision.

Mr. KNOWLES: That is the point.

Mr. BRACKEN: That is the appeal I am making now—an appeal against Your Honour's right to make such a decision. The fact that the house supported the Speaker fourteen years ago on an entirely different matter is no reason why the house should support the Speaker to-day on this important matter.

An hon. MEMBER: No doubt that will help the steel strike.

Mr. GLEN: If I may be allowed a word, Mr. Speaker, subsection 3 of standing order 31, which the hon. member has quoted, reads:

He then hands a written statement of the matter proposed to be discussed to the Speaker who, if he thinks it in order and of urgent public importance, reads it out and asks whether the member has the leave of the house.

On several occasions when I occupied the chair the same question arose, and I had occasions to refuse to allow an appeal, basing my ruling upon the decisions already quoted by the Minister of Veterans Affairs that it is a matter lying solely within the discretion of the Speaker himself whether there is that urgency which should compel the house to discuss the matter. The Speaker now has given his ruling, in which he is supported by the ruling given by the hon. member for Yukon (Mr. Black) when he was Speaker, and by another ruling appearing on page 752, given by Mr. Casgrain when he was Speaker. The rule and practice, and I think the intention of the standing order, has been that the Speaker shall be the judge of whether or not there is that urgency which would justify an appeal to the Chair. On several occasions I must say I ruled that there was no appeal from this decision, and that no appeal should be granted.

Mr. SPEAKER: I should like to put on record the ruling just mentioned by the Minister of Mines and Resources (Mr. Glen), that given by the Hon. Pierre Casgrain, then Speaker, on March 10, 1939, appearing at page 752 of *Beauchesne:*

The Speaker's opinion that a certain matter is not urgent and cannot be discussed under a motion to adjourn the house in pursuance of standing order 31 is not subject to appeal because it is not a decision on a point of order.

I ask the house now to proceed with its business.

Mr. BRACKEN: Then I must rise to appeal your decision that there can be no appeal, and I do so on the ground set out by Colonel Ralston, in which he was supported by the Minister of Veterans Affairs fourteen years ago.

Mr. MACKENZIE: We were turned down by the free judgment of this house.

Mr. BRACKEN: We may be turned down again to-day.

Mr. SPEAKER: I am sorry, but I must refuse the hon. member permission. I have cited the two authorities, the rulings by Hon. Mr. Black and Hon. Mr. Casgrain.

And more than five members having risen:

Mr. SPEAKER: There is no appeal.

Mr. COLDWELL: Mr. Speaker, are we to understand that this house is not in control of its own rules, that we are bound by one Speaker for the next? I think this is wrong.

Mr. MACKENZIE KING: May I say one word in regard to my understanding of the Speaker's decision in this matter? As has been pointed out, the rule requires that His Honour the Speaker be given notice of the motion in advance. That is to enable His Honour to ascertain whether the matter is one which in his opinion should be discussed at this time in the manner indicated, namely by a motion to adjourn the house. In order to reach a decision on that matter Mr. Speaker asks himself whether there are other opportunities for hon. gentlemen to discuss this matter at this time; and His Honour has stated to the house that the debate on the budget which is proceeding at the present time affords hon. members opportunity to discuss the question and that therefore there is no reason for adjourning the house at this time to permit of its being discussed as a matter of urgent public importance. Those are the facts; that is the sequence of the procedure. The rule which says there is no appeal in the matter follows logically because of the discretion given His Honour the Speaker in the first instance to say whether or not the house has an opportunity to discuss the matter apart from the motion to adjourn. The Speaker has decided that this opportunity is afforded in the debate on the budget which is now in progress.

Mr. SMITH (Calgary West): As the humble creator of this difficulty may I say just one word; and I speak with the greatest respect and deference to you, Mr. Speaker. I think you have gone astray. Surely the whole point of this rule is to give precedence to the matter because of its urgency. That is the basis of the right to move the adjournment of the house under standing order 31. As for the budget debate, no doubt someone adjourned it when we last met, and no doubt others are ready to proceed with it; but I think it is on the basis of that urgency that all such motions must be entertained by this house.

Mr. SPEAKER: Questions.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

SUBSIDIES ON SOY BEANS

Mr. WHITE (Middlesex East):

What was the amount of subsidies paid on soy beans in each of the years 1941-1945 inclusive?

Mr. MAYHEW:

(a) Domestic subsidies

Commodity Prices Stabilization Corporation Limited has paid the following amounts by way of domestic subsidy on soy beans during the periods listed below:—

April 1, 1941 to March 31, 1942...	nil
Aripl 1, 1942 to March 31, 1943...	nil
April 1, 1943 to March 31, 1944...	nil
April 1, 1944 to March 31, 1945...	nil
April 1, 1945 to March 31, 1946...	$116,902 36
April 1, 1946 to May 31, 1946....	9,936 73
Total	$126,839 09

(b) Import subsidies

Import subsidies paid by Commodity Prices Stabilization Corporation Limited, are broken down according to the tariff item under which the goods in question enter Canada. The main tariff items under which soy beans are classified are:

Tariff Item 47—"Beans, n.o.p.," and

Tariff Item 663c—"Soy beans, soy bean oil cake, and soy bean oil meal, when imported for use as animal or poultry feeds or as fertilizer; or when imported for use in the manufacture of animal or poultry feeds or fertilizers".

Subsidies paid against these tariff items during the periods listed below have amounted to:

Tariff Item 47

April 1, 1942 to March 31, 1943.	$ 8,296 15
April 1, 1943 to March 31, 1944.	26,453 72
April 1, 1944 to March 31, 1945.	nil
April 1, 1945 to March 31, 1946.	nil
April 1, 1946 to May 31, 1946..	410,329 85
Total	$445,079 72

Tariff Item 663c

April 1, 1942 to March 31, 1943	$ 198 89
April 1, 1943 to March 31, 1944	62,589 30
April 1, 1944 to March 31, 1945	171,571 50
April 1, 1945 to March 31, 1946	42,978 36
April 1, 1946 to May 31, 1946..	55,954 00
	$333,292 05
Accountable advances.....	506,113 62*
Total	$839,405 67

* This figure represents accountable advances paid against subsidy claims, to be adjusted following determination of actual oil and meal yield from soy beans imported and depending upon the profits position of each applicant at the end of his fiscal year.

QUESTION PASSED AS ORDER FOR RETURN

INDUSTRIAL DEVELOPMENT BANK—LOAN TO ACADIA COAL MINES

Mr. BLACKMORE:

1. Did the Acadia Coal Mines Limited, of Calgary, Alberta, during May, 1946, apply to the Industrial Development Bank, Ottawa, for a loan of $100,000 to improve its plant and expand coal production?
2. If so, was the application rejected, and for what reason?
3. What action has the federal government taken to provide financial assistance to coal producers in order to increase coal production?

MOTION FOR PAPERS

BAIE COMEAU, FORESTVILLE AND GRANDES BERGERONNES AIRPORTS

Mr. DORION:

For a copy of all correspondence, telegrams, reports and other documents in the possession of the Department of National Defence for Air, relating to the construction, development and maintenance of the airports at Baie Comeau, Forestville and Grandes Bergeronnes, Quebec?

NATIONAL HOUSING ACT

AMENDMENT AS TO LOAN PROVISIONS CENTRAL MORTGAGE AND HOUSING CORPORATION

Right Hon. C. D. HOWE (Minister of Reconstruction and Supply) moved that the house go into committee at the next sitting to consider the following resolution:

That it is expedient to present a measure to amend the National Housing Act, 1944, and more particularly:

(1) to provide for changes in the administration of the existing housing legislation, consequent rewording of definitions and references throughout the Act;

(2) to provide for His Majesty to join with approved lending institutions in the making of loans for the construction of homes for home owners who have a leasehold interest only in the land upon which the home is to be built and to take security in such form as may be deemed necessary to protect the interest of His Majesty and the lending institution;

(3) to lengthen the period within which a joint loan to home owners may be repaid from twenty years to twenty-five years;

(4) to authorize Central Mortgage and Housing Corporation on behalf of His Majesty to enter into agreements with builders who will undertake to build a specified number of houses to be financed under the National Housing Act, 1944, and to offer each such house for sale first to veterans and then to others, at a price not in excess of the selling price fixed in the agreement in consideration for the undertaking of Central Mortgage and Housing Corporation to purchase such houses from the builders within one year from their completion if they have not been sold;

(5) to authorize Central Mortgage and Housing Corporation to make direct loans in outlying areas to borrowers engaged in mining or lumbering, to assist them to provide low or moderate-cost housing for rent or sale to their employees and others in the area of the operations of the borrowers with a view to making possible increased employment in connection with the said operations;

(6) to authorize Central Mortgage and Housing Corporation to hold, operate and manage and lease on terms satisfactory to the minister, real or personal property owned by His Majesty and made available to the corporation for such purpose, and to authorize the corporation to collect the revenues from such properties and to pay such revenues to the minister, less expenses incurred in connection with such properties and less such compensation to Central Mortgage and Housing Corporation as may be agreed upon by the minister;

(7) to provide greater facility for the making of joint loans for the construction on farms.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the consideration of the house.

Motion agreed to.

WAR VETERANS ALLOWANCES

ALLOWANCES TO CERTAIN VETERANS UNEMPLOYABLE THROUGH DISABILITY—WAR VETERANS ALLOWANCE BOARD

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs) moved that the house go into committee at the next sitting to consider the following resolution:

That it is expedient to present a bill to make provision for the payment of allowances to or in respect of veterans of a prescribed age and veterans permanently unemployable or incapable of self maintenance through physical or mental disability and widows and orphan children of veterans. Provisions of the bill apply to veterans of the North West Rebellion, the South African war, world war I and world war II. Provision is made for establishing a war veterans' allowance board to administer the Act and for the payment of the salaries of the members and pensions on retirement.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the consideration of the house.

Motion agreed to.

REPARATIONS

INTER-ALLIED AGENCY—CANADA'S REPRESENTATIVES —ALLOTMENTS TO CANADA

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): On Friday last the hon. member for Peel (Mr. Graydon) asked me a question with regard to the distribution of

reparations from Germany, as to the channels that would be used for that purpose. At the time I said I was unable to give an answer offhand but that I would give the hon. member a reply at the earliest possible moment. The answer is as follows:

The question of the distribution in Canada of reparation which may be received from Germany is at present under consideration by the interdepartmental committee on reparation. Information has been sought as to the procedures employed in other countries for the distribution of the proceeds from German reparation, but the committee is not yet in a position to make firm recommendations to council on this subject. As regards German industrial equipment, a subcommittee of the interdepartmental committee on reparation has been set up to deal specifically with this problem. The Canadian Manufacturers Association is represented on this subcommittee, and a close liaison is being maintained with Canadian industry in order that the government may be in a position to bid for German equipment most necessary for Canadian economy.

The final disposal of the German ships *Huascaran Tiefland,* and *Weserwehr* has not yet been decided, but the authorities in the Department of Transport are arranging for preliminary inspection of these ships.

LABOUR CONDITIONS

STRIKE IN STEEL INDUSTRY—DUTIES OF CONTROLLER

On the orders of the day:

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, I should like to ask a question of the Minister of Labour, of which I have not been able to give him notice. Has the controller in the steel dispute the duty of negotiating a reasonable settlement between the parties to the dispute—both parties—or, in the alternative, of negotiating on behalf of the companies an agreement for submission for approval of the war labour board or boards?

Hon. HUMPHREY MITCHELL (Minister of Labour): Mr. Speaker, in replying to the hon. member I am speaking from memory but I shall do my best to answer his question. In the first place, a controller was appointed as I announced in the house last Wednesday. Prior to that we had appointed as commissioner Mr. Justice Roach of the Ontario Supreme Court. He was to act as conciliator. In this case the controller is the employer. The department felt—and I think most hon. members agree—that this was the rational approach to a most difficult situation. This was the form of conciliation which has been peculiar to Canada in these days. It was the form which worked successfully in the packing house dispute, in the dispute connected with the American Can company in Vancouver, in the lumber industry of British Columbia, in the Montreal street railway company dispute, and in the dispute on the inland lakes which took place recently. Unfortunately in this instance however the commissioner did not have a chance to conclude his labours, because the strike in question took place this morning at seven o'clock.

That is a bald statement of the facts. I believe an agreement could have been made. If I might say so, you cannot have things all your own way; everything is on a basis of conciliation. As I have said before, I think we shall live to regret the attitude which has been adopted by certain people. I am not calling any names. There are properly constituted boards composed of employers and employees to settle disputes.

Mr. COLDWELL: I asked my question for the purpose of clarification. The order in council states in section 3 that the controller shall have the authorities and rights of the board of directors of each of the said companies. In section 11 it says that the controller is hereby authorized to apply on behalf of each of the said companies to the appropriate war labour boards for an immediate increase in the wage rates of employees. There seems to be some misunderstanding of method. Does it mean that the controller will negotiate with the employees as the directors would, or that on his own initiative he has to go to the board with a proposal for an increase in wages? That is what I am trying to get at.

Mr. MITCHELL: The judge is commissioner. You must have two things.

Mr. COLDWELL: I am talking about the controller.

Mr. MITCHELL: I am talking about the duties of the judge. He conciliates. This may seem complicated, but it is simple. In the packing house dispute the controller ran the operations of the packing plant. But Mr. Justice Richards of Winnipeg was the commissioner who conciliated the dispute. After agreement they made the necessary recommendations to the regional board in that instance, and an agreement was consummated. The same thing happened in the lumber dispute in British Columbia, and in other disputes.

Mr. MacINNIS: I should like to ask a supplementary question. Has it been drawn to the attention of the Minister of Labour that spots have been taken on the radio to announce penalties in connection with this

order in council? Does not the minister consider this a form of intimidation of employees?

Mr. MITCHELL: We are still living in a free country.

An hon. MEMBER: Are we?

Mr. MITCHELL: I hope we are—sometimes I wonder whether we are. However, the order in council is a public document. What objection can there be to its being printed in *Hansard* or in the newspapers, or to having it announced over the radio? It is just a matter of information.

MASSEY-HARRIS—SETTLEMENT OF DISPUTE IN TORONTO AND BRANTFORD PLANTS

On the orders of the day:

Hon. HUMPHREY MITCHELL (Minister of Labour): Mr. Speaker, it might not be amiss at this time if I advised the house that another industrial dispute involving several thousand workers in Toronto and Brantford appears to have been settled as a result of the efforts of Mr. Leonard W. Brockington, K.C., C.M.G., Ottawa, who had been appointed by me last week as an industrial disputes inquiry commissioner to deal with questions in dispute between the employees of the Massey-Harris Company Limited in its Toronto and Brantford plants. The employees were represented by the united automobile, aircraft and agricultural implement workers of America.

The commissioner recommended that the dispute be settled on the following basis:

1. A general wage increase of ten cents an hour effective July 1, 1946.

2. The parties to enter into negotiations for a general adjustment of wage rates if there be an advance of four points or any multiple thereof upon the cost of living index for September, 1946, as prepared and published by the dominion bureau of statistics; if the parties are unable to agree on such wage adjustment after thirty days' negotiation, application may be made to the regional war labour board;

3. Two weeks' vacation with pay, effective in 1946, for employees with five years' service.

The company and its employees had previously agreed on a reduction of the work week from 48 to 45 hours, with payment of time and one-half for hours worked in excess of 45 per week.

I understand that the recommendations of the commissioner have been accepted by both the company and the union.

I do not know why this form of approach could not have been carried out in connection with the steel dispute. Might I say again that I am the last man to run away from a dispute but, as I have said before, I do not think industrial disputes can be settled in the House of Commons. It has been my experience for a good many years that it sometimes makes things worse. So far as the record of my department is concerned, I am prepared to defend it in any general debate with anyone, and particularly as to its stand with respect to the question of the settlement of industrial disputes.

In the very nature of things we must follow the basic principles of the Industrial Disputes Investigation Act. In my judgment it has been the finest piece of legislation ever adopted by any country, because it is predicated upon conciliation, a willingness to give and take between parties in a dispute. If anyone knows of a better way of doing it, let him say so. I should like to learn from any member, or indeed from anyone outside the house, who has a better approach to industrial problems than that which is exemplified in the basic principle found in the Industrial Disputes Investigation Act.

VETERANS LAND ACT

AGREEMENT RESPECTING UTILIZATION OF PROVINCIAL LANDS

On the orders of the day:

Mr. H. W. HERRIDGE (Kootenay West): I should like to ask a question of the Minister of Veterans Affairs. Will he kindly inform the house of developments in the signing of an agreement between the government of British Columbia and the federal authorities on the utilization of provincial lands for settlement under the Veterans Land Act administration?

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs): An agreement was signed to-day. I shall table it at the earliest possible moment, and send a copy to my hon. friend.

THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed from Friday, July 12, consideration of the motion of Right Hon. J. L. Ilsley (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Macdonnell, and the amendment to the amendment of Mr. MacInnis.

Mr. J. S. SINNOTT (Springfield): Mr. Speaker, I wish to congratulate you on the manner in which you keep order and decorum in this chamber. Sometimes your tasks are arduous and difficult, and your patience is tried to the limit. Therefore I think a few kind remarks along this line are in order. I wish also to congratulate those who have spoken before me, as I know they have contributed much towards the wisdom of building this great Canada of ours, Canada a nation which is only a child in age compared to what other nations are and has the distinction of having achieved a most enviable record in obtaining results in the winning of the war, a record more outstanding than that of any other country with a comparable population. Canada's achievement in this respect has won not only the support of the Canadian people but the admiration of the whole world. I cannot say too much to compliment those responsible for that magnificent effort, a mighty large share of the credit for which should go to our Prime Minister (Mr. Mackenzie King).

Up to the present time I have felt that I should sit back and listen to the more experienced speakers carry on, but after listening to speeches for almost eight months I feel that I have profited sufficiently from the example of my fellow members to be able to contribute something myself. While the budget brought down by the right hon. Minister of Finance (Mr. Ilsley) does not show—

Mr. PROBE: I should like to ask the hon. member what he is quoting from; or, alternatively, I should like to ask you, Mr. Speaker, if the ruling about the reading of speeches still applies.

Mr. SPEAKER: The hon. member knows that according to the rules of the house a member is not supposed to read his speech. I assume he is consulting his notes.

Mr. SINNOTT: I am following rather extended notes. While the budget brought down by the Minister of Finance does not show much of an over-all reduction in taxation, there is one feature of it that the government is emphasizing, and that is, keeping employment at a high level. I was more than pleased on July 5 to hear the Minister of Finance announce several important steps which were being taken in the economic and financial field to prevent undue increases in the cost of living and the cost of production, to improve the effort for price control, to encourage a greater supply of scarce commodities, and to facilitate a stabilization programme which will be orderly and will give the nation protection against adverse developments outside of our borders.

I was pleased to hear the Minister of Finance announce the equalization of the Canadian and United States dollars, but most important of all was the control of rents. I believe many rents are too high, and I urge that the wartime prices and trade board make a strict revision of all rents and continue the controls.

Early post-war developments have been quite favourable, and there has not been the unemployment during demobilization that many were led to expect. Reconversion has proceeded with comparative smoothness and rapidity, and the evils of inflation and deflation have largely been avoided. Interruptions which have resulted from labour troubles have seriously delayed the production and distribution of articles which so many of our people are desirous of obtaining. It is recognized that it would be dangerous to the Canadian economy if price controls were not continued for at least another year.

I particularly wished to emphasize this afternoon the unfailing efforts of the Minister of Agriculture (Mr. Gardiner). It has been said by many in this house that most of the time of the house is taken up by agriculture, but I must say that I consider this as one of the most important subjects for discussion. If it were not for the farmer, the fisherman and our primary producers generally, the rest of the nation could not exist. For those who have never milked a cow or done the many chores of the primary producer this may be a joke, but let me say again that without those most important people our economy would falter into oblivion.

Nothing would be a finer gesture than for those who have never done this class of work to take a week after the house prorogues and go through the trials that the primary producer goes through, especially those of the dairy farmer. Some would certainly change their minds as to what he has to go through to make a livelihood for himself and his family. There are two types of farmer, the grain grower and the mixed farmer. The grain grower in these modern times, with all the modern machinery at his disposal, is living a life of leisure in comparison with the mixed farmer. Most certainly he has not the trials and tribulations of the dairy farmer who has to work 365 days a year. Certainly all the dairy farmer earns should never be begrudged and should be encouraged by continuing government subsidies.

In my opinion the Minister of Agriculture has one of the most important positions to fill in the cabinet. It is hard for an outsider or for one on the street to realize just how important this portfolio is, and just how many departments are under his guidance. I am sure every hon. member of the house, on the opposition as well as on the government side, will agree with me when I say that the Minister of Agriculture has carried on his work diligently and sincerely, and has advocated a stabilized price control which will secure and guarantee the primary producer a market which he can depend on for some years to come.

Let me mention some of the divisions of the Department of Agriculture to give you some idea of the magnitude of the minister's task. They include the agricultural food board, price board, agricultural supplies board, meat board, special products board, science service, division of animal pathology, disease research division, bacteriology, botany and plant pathology, chemistry, entomology, division of plant protection, experimental farm service, prairie farm assistance, production service, live stock and poultry division, marketing service, and prairie farm assistance consumers service. I could go on almost indefinitely. All these are run efficiently to the benefit of the whole country under the guiding hand of the Minister of Agriculture. I believe it would be far better for the country as a whole if some of his critics were to go back to their constituencies with the real story of the outstanding contribution that that same Minister of Agriculture is making to the whole of Canada.

There has been a drive by the Winnipeg grain exchange to defy the government's price control policy. They have spent money like water spreading propaganda in every newspaper entitled, "Who dares speak for you, Mr. Prairie Farmer?" advocating higher prices to be more on a par with those in other countries. How long would the price remain stabilized if they had control? How long did they remain controlled after the last war? It would seem that they are making a definite challenge to defy the stabilized long term agreements which the government is advocating. I hope the western farmer will see the real facts behind this propaganda which has been distributed, and I hope that those who have marketed their grain through the Canadian wheat board realize what an effort has been made by the wheat pools and other cooperative agencies to establish a stabilized market. Furthermore I hope the western farmer has not lost sight of or forgotten the equalization payments which he has received and is still receiving from the present government.

[Mr. Sinnott.]

I should like to give a few items from a table which I have here to show what the western farmer has received since 1943 in wheat acreage bonuses. These payments were as follows:

	1943	1944	1945
Manitoba	$ 5,053,000	$ 706,000	$133,000
Saskatchewan.	17,091,000	5,341,000	262,000
Alberta	8,872,000	2,934,000	427,000

The payments for prairie farm assistance were as follows:

	1944	1945
Manitoba	$ 17,000	$ 164,000
Saskatchewan	6,907,000	2,639,000
Alberta	2,533,000	2,815,000

That is quite a contribution that the government has made to those provinces, but some of those provinces do not appreciate it. No one would like better to see higher prices on all produce and grain than the present government, but in order for our customers to buy over a long period we must make the price attractive enough to discourage the countries from producing grain so that we may accept their commodities.

Let us look at the inflationary trend in other countries. Take even the United States or even England. Those in the lower income brackets are having a terrible time to survive.

Through you, sir, I would like to say a word about the dominion-provincial conference. Some three years ago a plan was submitted to all provincial governments and municipalities for the post-war reconversion period. This complied with plans, and preparations were made accordingly. Then came the first meeting of the dominion-provincial conference, ending in failure; then the second meeting without any further results, and then a third meeting with two of the nine provinces in agreement with the dominion's proposal.

I have in my hand a report from the Winnipeg *Free Press* that Manitoba has now accepted the dominion's proposal, and Mr. Garson's comment is that he is sorry that an April meeting was not agreed to by all parties. As he says:

> Canadians should understand, however, that the budget speech proposal is much less advantageous than the modified proposal made by the dominion to the conference in April which was then accepted by Manitoba and some other provinces but rejected by certain provinces. The dominion's April proposal provided a plan for the coordination of dominion and provincial policies designed to maximize employment and income, and thus to reduce taxation as a percentage of national income.
>
> It relieved provinces and municipalities of the major portion of unemployment relief costs. It provided substantially increased federal aid for pensions, social welfare and public health. It gave definite assurance of dominion aid to the construction of national highways and access roads to undeveloped resources, and to provincial and municipal public works timed to stabilize employment and business conditions.

Had this been accepted in April, it was Mr. Garson's belief that it would have been much more beneficial. When I say that two of the provinces have shown their willingness, I should say that three have now agreed on the five year plan. Two provinces which are the most heavily populated believe they will be deprived of some taxation or taxing powers but on the other hand do not realize the tremendous amount of subsidies they will receive in return. Furthermore, the dominion government is anxious to advance the health scheme, reduce the age for old age pensions and put into effect a security programme. I therefore maintain that the time is now here to show the people of Canada that we are prepared to accept our responsibilities.

Now, Mr. Speaker, it is hard to understand some of the opposition. They maintain that the government is not doing nearly enough regarding housing, old age pensions, mothers' allowance, hospitalization, and so forth. They are all advocating higher expenditure, and yet in the face of this their financial critic, the hon. member for Muskoka-Ontario (Mr. Macdonnell) insists that all the government is doing is tax, tax; spend, spend; but never save. That in my opinion is the surest way to unemployment. On the other hand, we have here a good heading from a good Tory paper, which says, "Government is putting in a stabilized programme to hold prices down."

I wish, Mr. Speaker, to commend through you the Liberal party for their policy of allowing their colleagues to express their views without fear of being read out of the party as has happened in some parts of Canada in other parties. I feel that the only truly democratic way is to allow a man to express himself without fear of reprisals. I also feel that I must try to further the effort of my predecessor, the late John M. Turner, and other members who have expressed their views on dealing with banks and the banking system. In this connection I quote from a speech delivered in the session of 1944 by Mr. Turner, and reported in *Hansard* of that year, pages 2830 and 2831:

> I believe, sir, that everybody in this house knows that I am not a financial expert, nor do I ever hope to be one; neither am I a mechanical expert and I do not ever expect to be. Perhaps all I know about finance is that a dollar has 100 cents. Nevertheless, when I get in my car in the morning to start to drive I can immediately detect if there is something wrong, although I may not know what it is. That is the way I feel when talking on finance. There is something radically wrong with our whole financial system. The way it is set up it is like a gigantic octopus, choking the very life out of our Canadian nation through the interest system we have adopted. This certainly has to be changed.

Just as an illustration, I hold in my hand a copy of a brief prepared in February of this year by the city of Winnipeg to be presented to Hon. Stuart S. Garson, our premier. Attached to this brief is a statement of the interest paid on debentures by the city of Winnipeg from the year 1930 to 1943, a period of fourteen years, and the staggering interest total for that period of $40,319,694.20. This figure does not include the interest on the greater Winnipeg water district, which happens to run right through my constituency. The interest on this alone amounts to $800,000 a year. Now, Mr. Speaker, if I were to stand here to-day and tell the people of Winnipeg that between now and 1957 they are going to hand out again to the money-lenders an amount close to fifty million dollars for interest, they would think I was not stating the facts. Nevertheless, that did happen before and it can happen again. That city is urgently in need of slum clearance, new homes, hospitals, parks and other public projects, and if we could save only half that amount, say $20 millions or $25 millions, for those purposes, I am sure it would be welcome news not only to Mayor Coulter, but to all the citizens of Winnipeg.

The figures I have given for Winnipeg can, in proportion to population, be duplicated in almost every province, city, town and municipality in Canada. Interest has a stranglehold on governments of all kinds and acts as a hydraulic brake against any district progressing to its fullest extent. How can they be expected to progress, carrying this terrific load?

Let us take a look at our own financial set-up in the dominion. Before the war this nation's debt as of March 31, 1939 was $3,710,610,592.87 and interest charges on same were $127,995,616.75; to-day our national debt is $9,228,252,012.03, as of March 31, 1943, the interest charges being $188,556,249.39, better than $15 millions a month, an increase of over $60 millions a year, or roughly five million dollars a month. That is a staggering figure, and who can tell to-day that the war may not last for two or three years yet and the debt will be just that much greater? We are getting in deeper all the time.

I said before that I am not a financial expert, but I know there is something positively wrong with this whole business, and I envisaged the Bank of Canada as being set up to step in and lend money to public corporations, as I have already indicated, without any interest, but with just an operating charge or a bookkeeping cost. The present system cannot go on indefinitely. We should, therefore, be prepared to try another kind, and force the big banking houses to get out of government business entirely and operate in their own field,—

Then he goes on to say:

> I believe that the Bank of Canada is not operating to the fullest extent in the important matter of financing public debt and public corporations.

I have had considerable experience as head of a municipal corporation and as chairman of the school board, and I know how we finance. I can see the tremendous advantage which we could obtain by using the Bank of Canada to a far greater extent to further our education, our health schemes, mothers' allowances, hospitalization, road programme, and so on.

No one can say that the need was ever greater than it is now for hospitals in almost every small community. The town in which I reside has been pleading for one for the last twenty-five years and is still without a hospital. Let me say I am not in favour of the hand-out system, that is, one by which you can receive service for nothing; but I do believe that if the provinces agree to the present dominion proposals, it will then be up to the dominion to provide the necessary money through the Bank of Canada for the services I have just mentioned. Surely we do not want to see unemployment. It is useless to say that there can be a depression in a country where there is so much to be done. Then let those provinces who wish to accept the dominion government's proposal do so and obtain the benefits which they deserve. Let the dominion government accept the responsibility of taking care of its citizens.

To sum up, Mr. Speaker, I have tried to confine my remarks to what I trust will be for the welfare of Canada as a whole. I have tried not to be personal. Furthermore, I have failed to mention many things which my constituents desire. This I believe can be done to better advantage with the responsible ministers than by occupying the time of the house.

Mr. E. G. HANSELL (Macleod): In rising to speak in this debate on the government's budget for 1946 and perhaps 1947—because few of us are going to realize any benefits from it until that time—I wish to make just a few observations. This is not of course the first budget that I have spoken to, and it was not the first budget speech I have heard from the present Minister of Finance (Mr. Ilsley). But I sat in my seat for nearly three hours listening to Canada's finance minister as he brought down a perfectly orthodox financial budget, and I could not help thinking at the time that had there been a Social Credit government in office, a Social Credit finance minister could have made a speech in perhaps fifteen or twenty minutes. I do not know, but at least he could have made a much shorter speech and could have given the country the benefit of all that such a wealthy nation possesses. It would have been necessary only to put down the liabilities on one side and the assets on the other, indicate how much money the country needed for the coming year, and then say boldly to parliament and to the country that he was now issuing instructions to the Bank of Canada that has the power to issue currency and credit, by saying, gentlemen, you are the servants of the people. We need so much money this year. Write out a cheque, sign on the dotted line, and have so much money issued to this government in order that we may carry on the business of the country.

Instead I must confess that by the time the present Minister of Finance got through with his budget speech, I personally was left somewhat confused. In fact, I met a newspaper reporter in the corridors the next morning and when he asked me what I thought of the budget, I said, "Well, my friend, I am afraid I shall have to read it all over before I can answer that question, because the minister did leave my mind in a muddle as to exactly what Canada's financial position was and what will be required during the next year".

Right along that line, in the realm of money, there has been I believe a deliberate attempt to confuse the mind rather than to instruct, inform and clarify. I declare, Mr. Speaker, that there is no subject in the universe to-day that seems to be so little understood, that seems to be surrounded with so much mystery, as the subject of money and orthodox finance, and I came to the conclusion long ago that a deliberate attempt has been made to keep the people confused and in ignorance in respect to this matter.

I am a family man. I have brought up a family. My high school boys come home and they begin to instruct their father as to what they have learned in respect to the function and operation of money. They come home not merely confused but deliberately misled. They say things that are positively against the facts. Although I did not go into a deep study of finance; although I did not major in the field of economics, I am quite certain in my own mind that most of the university courses in economics tend to mystify rather than to clarify. This reminds me that a great man once said—and I quote from sacred writ:

> We wrestle not against flesh and blood but against principalities, against powers, against the rulers of darkness of this world.

I am going to stop there. We wrestle not against flesh and blood but against the rulers of the darkness of this world, and if there is one subject that has been kept in the dark, if there is one subject upon which the people generally speaking manifest ignorance, it is the subject of the functioning of money. But throughout the past few years, particularly in the war years, when circumstances have forced the hands of finance ministers, that veil of mystery has gradually been torn away. The darkness has been gradually giving way as the light of newer economics has shone in upon it.

What happened a few years ago when this group stood in this house and declared that money was created out of nothing? We were laughed to scorn. It could not be so! When social credit first appeared upon the scene in Canada and made certain proposals, it received the reply: Oh, fountain pen money. What has happened? We have been issuing fountain pen money now to the tune of anywhere from half a billion to three-quarters of a billion dollars a year. That has gone on because of the expansion of credit; and the mask has gradually been torn away. The people are saying, where did all this money come from? I stand up and boldly declare that it came from the end of a fountain pen.

Mr. FAIR: The Minister of Finance agrees.

Mr. HANSELL: Of course he does; he knows his business. If he does not agree, let him rise in his place and say now that he does not. He does agree. The mask is being gradually torn away.

When some of us went out into the country and said that banks did not lend their depositors' money, we were laughed at again. I suppose there are hon. members in the house today who may even now believe that banks lend their depositors' money. The mask is being torn away from that too. It has been discovered long since that banks do not lend their depositors' money. They lend freshly created money, which has come out of the end of a fountain pen and which eventually becomes depositors' money. Will any one deny that? I see no one rising in his place to deny it, and yet when years ago we said that we were laughed at.

How often have we heard our proposals talked about as being printing press money. Whenever I hear someone say that I say immediately that they do not know what they are talking about. The Minister of National Health and Welfare (Mr. Claxton) is an example, but I shall come to him later. When we rose in our places and said that money could be issued to the tune of at least equating it with our production, we were branded as inflationists. How often have I heard the hon. member for Lethbridge (Mr. Blackmore) tell the Minister of Finance that inflation could be controlled! There is a way of handling a situation of that kind, and there is no inflation until your money reaches above your total prices. How often did the hon. member for Lethbridge tell the house that?—but we were referred to as inflationists! The mask has been torn off that bogy too, because we have controlled inflation in Canada to a remarkable degree. I am going to give the Minister of Finance certain credit for that. What I am saying now is that he is doing what we said he could do and would have to do, and circumstances forced his hand to do it.

When we said that prices could be subsidized in the process of stopping inflation, everybody again cried out against this supposedly gross error. Was it an error? That is exactly what the Minister of Finance has been doing throughout the war. Therefore I say that the mask is being gradually torn away. The glorious light of a new economic philosophy is beginning to shine in. The one step that the minister must take is the issuing of money debt-free to the nation. When he has done that, he will have torn himself loose from the old orthodox financial order which is sinking this country deeper and deeper into debt and despair. We Social Crediters were the exponents of these things, and evidently the government listened to us when circumstances forced their hands.

May I return to the charge that what we propose is printing press money? We have heard it many times. We heard it from the predecessor of the present leader of the opposition. I judge from the speech made by the hon. member for Muskoka-Ontario (Mr. Macdonnell) that he would regard it as printing press money. The Minister of Labour (Mr. Mitchell) has ridiculed our suggestions along this line. No doubt he believes it is printing press money. I referred to the Minister of National Health and Welfare. Judging by the remarks he has made he believes that it is printing press money. I come now to a very important point. The Minister of National Health and Welfare is responsible for the spending of more money than any other department of government; yet when we suggest to him that as an experiment he call upon the Minister of Finance to issue debt-free money through the Bank of Canada to the tune of the paltry sum of $10 million to see whether or not it would have an adverse effect on the Canadian economy, what does he say? He does not say anything. When I challenge him to do that, he sits there silent and tries to look wise. Sometimes I think this business that we are in is like a huge poker game, the rules of which are against you and you cannot win. Strangely enough this minister who spends more money than any other department of government also administers united nations relief and rehabilitation money which comes from Canada. Here is the man who cries out against any suggestion of changing the rules of the poker game.

Mr. JOHNSTON: Because he always wins.

Mr. HANSELL: But the people always lose. He is the man who is chosen to accompany the Prime Minister (Mr. Mackenzie King) as one of his chief advisers at the biggest poker game the world has even seen. While I am on that subject may I say that the Prime Minister is leaving for the peace conference as usual without any instructions as to what to do. That is why I asked him the other day if an opportunity would be given to discuss external affairs before he left. The answer was that there was no time now. Of course a few items have been before the external affairs committee. It is the same old tale, the same old story; it can be San Francisco, it can be some other place, but never once does he go under instructions from the people of Canada. One of our press gallery friends labelled us on one occasion, and rightfully so, as the people's mouths. Did the people's mouths have an opportunity of expressing the views of the people, as their representatives, and sending our Prime Minister to perhaps the greatest conference the world has even seen or will ever see, with any instructions as to what to say and what to do on great and vital issues? No, sir. Furthermore, does the Prime Minister tell us what he is going to do or say? You see, this poker game is also surrounded with dark secrecy. There are vital issues to be discussed. Do we send our delegation there knowing they are going to make any pronouncements? We do not. The result is that they can make pronouncements when they are there, if they want to, without our advice, and commit the country to something about which we know nothing at all, and no one knows what is going to happen in this very complex world.

On such great issues, Mr. Speaker, as will be faced at Paris we should know what Canada's foreign policy is. Do we know it? I do not believe we do; there is no policy, so how can we know? I do not think there ever has been one. I often see that British statesmen have made pronouncements on certain issues. I often see that American statesmen have made pronouncements saying, "Thus far and no farther," or recommending this or that. But when did any such pronouncements come from Canada? When we want to find out what our foreign policy is, can we do so? Well, I am inclined to think the present government and the present Prime Minister have a greater power of evasion than power of pronouncement.

To get back to this dark secret about money, I said I often likened it to a huge poker game the rules of which are always against you so you cannot win. Under the present orthodox system of debt-creating money the rules are against you, and you cannot win. The rules are against the people, and you will never come out on top until you change the rules. That is one thing the Minister of Finance refuses to do—see that the rules are changed. I believe Canada's total net debt to-day is approximately $13 billion. Somebody has been losing in the poker game over the years. Sometimes I wonder at the people giving men power to deal the cards and handle the chips when every time they come back for more chips because they have lost. The Prime Minister bids for power to run the country. What does he actually say? Give me a chance, he says, to go to Ottawa again and play this poker game: if you give me one more chance I think I might be able to win. But he never wins; he comes back and wants more chips.

Mr. MACKENZIE: You had better raise the ante.

Mr. HANSELL: Instead of bringing us his winnings he brings us a sad story of having to sign a lot of I.O.U.'s to somebody else. Then at the next election he says: Well, give me one more chance; you see, I am getting more experience all the time, and perhaps I shall still be able to win.

Mr. MACKENZIE: You will never find a better man.

Mr. HANSELL: The Minister of Veterans Affairs says we shall never find a better man, but I want to know when we are going to start winning. Then, you know, a great man appeared upon the scene. His name was R. B. Bennett. He said to the people of Canada: If only you let me play that game, I think I can win—and he came out with a slogan which I remember reading. I was not so much interested in politics at the time, but the slogan stuck. He said, "It's time for a change."

Mr. MACKENZIE: The trouble is you put $25 a month into the jackpot.

Mr. HANSELL: The trouble is the present government will not permit us to put $25 into the jackpot.

Mr. JOHNSTON: They stole the ante and call it a family allowance.

Mr. HANSELL: So Right Hon. R. B. Bennett said, "Give me a chance. Of course you will have to give me some chips, too, but I think I can win." What did he do? He came back for more chips, but he brought the I.O.U.'s too. The I.O.U.'s were beginning to pile up; and they were I.O.U.'s somebody else held against us. So the people said, "No, Mr. Bennett. We guess we shall not be able to do it. We will try the other fellow again;

he still thinks he can win." So Mr. Bennett left the country; and after he did all that playing the game and losing they made him a lord. I don't know why they did that. Well, they cannot win, yet somehow or other they refuse to change the rules. All we are saying to these hon. gentlemen, these fine gentlemen, these keen business minds, is: Change the rules and perhaps we will win. But they reply, "Oh, no; we cannot very well do that."

Now another gentleman has appeared on the scene. His name also begins with B but it is not Bennett; it is Bracken this time, and he says to the people: If only you will let me play the game, of course you will have to give me some chips too but I think I shall be able to win; you see, I have had experience for twenty years at this game—of course it was not in quite such a large field, and the stakes were not quite as high, but I have had that experience. But we say to him: What we want to know is, did you ever win?

Mr. MACKENZIE: Has my hon. friend ever played poker?

Mr. HANSELL: I played only one game of poker in my life—and I won. The strange thing about it is that I did not know the rules. Another fact, which is not so strange, is that I had sense enough to quit after playing the one game. That is one thing which hon. gentlemen who are playing Canada's poker game have not sense enough to do. They do not change the rules, and they will not quit.

Anyway, this other man, whose name begins with a "B", came along and said, "I know what you want. It is true that I left some I.O.U.'s to be paid; but if I get into the larger field and play the game on a bigger scale I might be able to win." But somehow or another the people thought another gentleman would be able to do it better, with the result that the Prime Minister was returned to office again—still playing the same game. He is still asking for more chips, and still piling up the I.O.U.'s.

The Prime Minister is going to retire soon to write his memoirs. I should hope the title of the book would be "Memoirs of the Great Canadian Poker Game". What we are saying over and over again is, "Change the rules; change the rules." We have been piling up these I.O.U.'s, but we have never yet won a hand. Yet they will not change the rules, and to-day Canada has sunk to a position where she is in debt to the tune of over $13 billion, net debt.

How on earth are we going to get out, under the same rules which continue to put us into debt, and which have continually failed? What stands behind Canada's bonded indebtedness? What stands behind a Canadian bond? I declare the only thing that stands behind a Dominion government bond is the ability of the people of Canada to pay taxes. I hear no complaints with that statement. Often I hear it glibly said, oh, well, Canada is wealthy; look at our natural resources. I suggest to you, Mr. Speaker, that Canada's natural resources do not stand behind a dominion government bond. That is one place where the provinces have a little more collateral than has the dominion government. The only thing that stands behind a dominion government bond is the ability of the people of Canada to pay taxes. How on earth are they ever going to be able to pay enough taxes to pay off $13 billion in I.O.U.'s which leader after leader after leader in this country has been signing?

In his budget speech the Minister of Finance referred to the dominion-provincial conference. I shall not say much about it, except to throw a little more light on it, or perhaps I should say, a somewhat different light. Throughout Canada, editorially and in every other way, out went the propoganda that the dominion-provincial conference had failed. I wonder if it did. It is true that it failed to meet the suggestions of the federal Minister of Finance; but did it actually fail?

There is one place it did not fail: it proved to the country that the provincial governments had certain constitutional rights, and that when it came to a consideration of those rights the dominion government could not move without the say-so from the provinces. In my view that is an important point.

There is a move to divest the provinces of provincial rights. That is how Canada lies in extreme danger. In his budget speech the minister says, in effect, "Here is the way in which I can get the provinces to submit to my suggestion. I shall bring in a budget in which I shall stipulate certain things. I will say to the provinces, 'Here, you, sign on the dotted line. If you sign on the dotted line there will be so much coming to you; if you do not, you will have to suffer the consequences.'"

That is where the dominion government has the power. It is not now concerned with constitutional powers; it has the financial power. I believe it was Baron Rothschild who once said, "Permit me to issue the money of a nation, and I care not who makes its

laws." That seems to be the prescription upon which the government is now acting: "Sign on the dotted line and you will get so much. If you do not, you will have to suffer the consequences." That is the financial power the federal government has over the provinces—and it is a tremendous thing.

While I am talking along those lines might I point out that the same Minister of Finance in the same administration, an administration which is able to supply billions of dollars in foreign credits, is not able to supply a paltry hand-out to our own provinces who, after all, are our own people. That, to me, is a strange thing.

Not only do we pour out billions of dollars in export credits, but the government brings in a bill known as the Export Credits Insurance Act. What is it for? It is to guarantee the chartered banks or the purveyors of credit against loss. I believe our foreign credits amount to something in the neighbourhood of $3 billion—and if my figure is not correct the minister will correct me. What does this mean? It means an export of three billion Canadian dollars; that is what it means; it does not mean anything else. We bring in a bill assuring the purveyors of credit, those who wield the fountain pens, that they will be protected if those dollars do not come back.

Here is another thing. We are doing that in a most uncertain world; we are doing that in a world of nations whose collateral is questionable. Yet when we come to deal with the provinces which administer health services, educational services and old age pensions, what is the answer? The minister says, "Go back; mind your own business; we are sorry; we cannot give you anything; we can export our dollars to foreign countries; but we cannot give our own people, and especially our aged people, the dollar security that they should have." That is a blight on our Canadian civilization, and that alone should be enough to condemn any powerful federal government.

There is another thing I should like to say right along that line. What stands behind these export credits if the dollars do not return to us? What collateral is behind that? We have our Export Credits Insurance Act to cover insurance against loss, but who is to pay the loss; what stands behind that? It is nothing but the ability of the people of Canada to pay taxes. So we export our dollars and we say to our people, if our dollars do not come back you will have to cough up by way of taxation. That is what happens. Yet when our people in the provinces want a few paltry dollars to raise old age pensions and help the indigent, we have not enough money for them. Surely our own collateral is good. Surely it should be good if our dollars remain within our country. You have a chance to get them back if they are in our own country; but, "oh, we cannot do that, gentlemen."

Who told the Minister of Finance that he could not do it? Is he refusing to do it on his own responsibility? Is he saying, "I cannot do it." We want to know why he cannot and we are looking for the answer.

The ACTING SPEAKER (Mr. Golding): The hon. member has exhausted his time.

Some hon. MEMBERS: Go ahead.

Mr. HANSELL: I was going on to another subject, but I shall do so at another time.

Mr. JOHN T. HACKETT (Stanstead): Mr. Speaker, I am sadly in need of the lessons, both in finance and in poker, that the hon. member for Macleod (Mr. Hansell) has given to the Minister of Finance (Mr. Ilsley) and other members of the house this afternoon. I do not know how much the minister is in need of the lessons in poker, but I am in need of them and I am grateful to the previous speaker for them. As to the lessons in finance, possibly the minister and I can both give them what is called in parliamentary language, due consideration.

The Minister of Finance is a notable figure in any House of Commons, possibly the most important after the Prime Minister. Most of what he does is in fact less subject to scrutiny than what is done by his colleagues. Finance is not something apart from policy, in reality it is an expression of policy. The Minister of Finance has told the house, that many hundreds of millions of dollars are required to carry out the government's policies during the fiscal year 1946-1947. He alone is not responsible for the amount. In criticizing a budget one is not criticizing the Minister of Finance alone, he is criticizing the policy which has made necessary the raising of such sums of money. Sometimes it happens that one does not criticize the amount itself but is critical of the way in which it is intended to be raised.

It is difficult in the second week of a debate of this kind, a debate which has followed so closely in the wake of public consideration of many questions which were discussed by the minister in the dominion-provincial conference, to say very much that has not already been said. The minister has pointed out that he has prepared his budget on the assumption that no general agreement with the provinces could be had, and he said that his task has been made extremely difficult by the fact that no general agreement was reached with the provinces. He has told

the house that because no general agreement was reached he intends to seek special and private agreements with the various provinces. I note that in the speech from the throne the following appears:

> A meeting of the coordinating committee of the dominion-provincial conference was held in January. Progress was made in the consideration of proposals submitted by the dominion and provincial governments. The committee will meet again on April 25.
>
> As a result of the conference, there may be further legislative proposals.

Surely the legislation then contemplated was not the enactment of the budget resolutions.

I shall deal almost exclusively with this one aspect of the budget, the intention of the government to make private and individual agreements with the provinces. In substance the government intends to say to each province: "If you will desist from collecting taxes we will pay you a large amount of money. If you, the provinces, will not levy and collect taxes on personal incomes, will not levy and collect taxes on corporations, will not levy and collect taxes on successions or inheritances, we will pay you a large sum of money." I am not mentioning some of the details of that offer, because I wish to deal with the general proposition. That is what the government says to the provinces. And it says, "Furthermore we, the dominion government, as a return for that concession, will pay you $15 a head for your population as determined by the census of 1941 or at a later date; we will guarantee that that payment will be at least 50 per cent greater than the payments made to you under the wartimes agreements; and we will furthermore undertake to increase these payments as your population increases and as your production per capita increases."

The minister has placed on record a table which shows approximately what this means. It shows that the amount guaranteed as a minimum if all the provinces accept the proposal is $181 million, that it is likely to be $198 million per annum, and then of course there is the possibility and even the probability of increase.

I want to say here that I am not adverse to assistance being given to provinces, assistance based on need, and my party is not adverse to that principle. What I object to is the method by which it is sought to administer that assistance, and it is to that method and its result that I intend to direct my remarks this afternoon.

I do not understand that any province is adverse to a method whereby need may be taken into consideration in a reallocation of the revenues of the country. I find at page 221 of the records of the plenary session of the dominion-provincial conference this utterance by the premier of Quebec:

> The federal proposals are unacceptable for the very many reasons I have given and which it would be unnecessary to repeat. As stated by me the door is left open—if I may say so without offence to anyone—for Ottawa to come to a better sense of proportion. The door is left open for friendly cooperation and understanding, based upon the fundamentals of the constitution and taking into account the past, the present and the future.

At the time of confederation the chief sources of revenues were customs duties and excise taxes. They were indirect taxes, and they were allocated to the dominion. Since then, changes have taken place, and direct taxes, to which the provinces were restricted, have become a greater source of revenue, greater by far than the indirect taxes to which the dominion resorted at the time of confederation. I believe that these facts should be taken into consideration. I see no objection to a reallocation of the revenues available for purposes of government. But I do object, and I object with all the sincerity and with all the vehemence that I can command, to the methods by which it is proposed to bring about that reallocation. And here are some of my objections.

The province of Quebec, for instance, has an annual budget of something under $100 million: under this proposal it would receive from the dominion government just under $60 million a year. The province of Ontario has a budget of about $100 million, and under this arrangement it would receive something like $65 million a year. My suggestion is this, that we have received a constitution, and part of that constitution is parliamentary, representative and responsible government. At every moment of every day a government stands poised on the confidence of the house and of the people of the province or the dominion. It is the duty of government to raise the moneys which are required for the purposes of government. It is the duty of government to account to the house for every last penny that is raised and spent for purposes of government.

It is there that we find that the genius of those from whom we descend has expressed itself. It is in that series of balances and checks that a form of government has been evolved which gives protection to the property owner, and meets the needs of those who are in distress.

Now, what is the result here? We would find a province receiving, in the two instances that I have mentioned, something like sixty or possibly more, per cent of its revenues as—I

was going to say—a hand-out. These governments would be receiving it from an agency to which they would owe no responsibility whatever; they would be getting it, not from those whom they had taxed, but from someone to whom they owed no duty to account. That would mean extravagance. Money from home is always money easily spent, and money that has come to one from a friend or money that one finds is never accounted for with the same care that is exercised in accounting for that which has cost effort to get.

Then we come to the other side of the medal. Here in this house there would be at least $200 million a year for which nobody would be accountable. The Minister of Finance would rise in his place and say, "I have paid $200 million to the provinces" and we would have to say, "how nice." If we asked how much of that money had been wasted in one province or another he could give no answer. There would be no check upon waste. This proposal is entirely subversive of our whole parliamentary system. Moreover, I submit, though I have been unable to find any case absolutely in point, that this proposal is entirely unconstitutional. Where is there in our constitution anything that permits the government of a province for instance, using the colourful language of the Minister of Finance, to lease a field of taxation, to sell a right of taxation? Where is there anything that entitles the government of a province to barter away its right of taxation, or a province or the dominion its duty to account to those from whom it collects the money?

I have scrutinized the British North America Act very carefully and I can find nothing in any of the subsections of section 91, which contains the powers of the dominion, and I can find nothing in the subsections of section 92, which contains the powers of the province, that warrants such an undertaking. Furthermore, wherever there is any intimation of one legislative body impinging upon the field of the other, it is very carefully and specifically stated. For instance, if one turns to section 94, which has to do with the common law in the provinces other than Quebec, one finds that it is competent to the dominion to enact legislation imposing the common law upon any of the provinces other than Quebec. That is a privilege of the dominion, but it is conditioned upon the province which is affected by such legislation passing concurrent legislation. One also finds that where the judges are appointed and paid by the federal authority, and where they come under the control, discipline and organizing power of the province, it is specifically laid down in the act that such divided jurisdiction obtains.

Further, we find in section 12—I think that is the section where all the powers which at one time were vested in the legislatures which preceded confederation, or which were conferred upon them by imperial statute were handed on to the parliament of Canada—that in none of the subsections is there anything that suggests a right whereby the dominion should purchase or enter into an agreement under which the constitutional function of a province should cease in order that the dominion might have greater taxing power than it would otherwise have.

It is perhaps of interest at this point to refer to the constitution of Australia, because in that country, under article 51, which is the counterpart of section 91 of our constitution, there does exist a right which would warrant, justify, enable and permit a transaction of this kind. It is found in subsection 37 of article 51 and is in these terms:

> Matters referred to the parliament of the commonwealth by the parliament or parliaments of any state or states, but so that the law shall extend only to states by whose parliaments the matter is referred or which afterwards adopt the law.

So we are embarking upon a course which is entirely new. We are embarking upon a course for which there is no direct legislative authority. We are embarking upon a course which no one would ever have thought of until the great necessities for money which are now upon us were felt. It is interesting to note how this tendency to increase the amount of money which is levied by this parliament, and which escapes the scrutiny of the house, is growing. On turning to the estimates for 1947, one finds that in a total budget of something like $1,566 million, something like $876 million is authorized by statute, of which $580 million represents interest on our obligations, while $285 million is charged to the Department of National Health and Welfare and includes cost of legislation which was enacted about a year ago.

Mr. CLAXTON: And family allowances and old age pensions.

Mr. HACKETT: And family allowances and old age pensions. I point out the tendency to increase these statutory amounts which, like the salaries of judges and officials, are beyond the power of this house to criticize effectively or to control at all. And here I want to make a point which I think may have escaped the attention of some. In 1937 a royal commission was set up, frequently referred to as the Rowell-Sirois commission. It is the royal commission on dominion-provincial relations. At that time the

necessities which brought about the most useful examination of these problems were almost exclusively the necessities of a few provinces which had not sufficient revenue from direct taxation—especially since the invasion of the field by the dominion authorities—to carry on their governmental activities with any degree of comfort. The situation is now quite changed. While there is still a need for reallocation of the taxable revenue of Canada at large, the most necessitous of all these agencies is the dominion government. The one which cannot wait, the one which is insistent is the dominion. A strange aspect of the budget is this. In the royal commission report it was suggested that a reallocation of revenues might become necessary, and one finds the following at page 72 of the second volume of the report:

> One of the difficulties inherent in any federal system is the rigidity which marks the division of jurisdiction between the central and local governments.

A little farther along we find the following:

> Our instructions obviously contemplated the suitability of a reallocation of powers which would require constitutional amendments, and we are reporting as to what in our opinion will "conduce to a more efficient, independent and economical discharge of governmental responsibility in Canada."

Then farther on they say:

> We desire merely to emphasize the necessity that some procedure for constitutional change should be evolved.
>
> We think that the introduction of a measure of flexibility in the Canadian federal system should be considered. A number of provinces may on occasion be willing and may even actively desire the dominion to assume responsibility for a function which is beyond its constitutional powers. The dominion may itself be willing to assume the function but be unable to do so until public opinion has developed to the extent of permitting a constitutional amendment to be made.

I point out that it was at all times understood there could be nothing in the nature of a reallocation of revenues similar to those mentioned in the budget until there had been a constitutional amendment. To-day it is said an amendment is not necessary. It is well to remember that the royal commission on dominion-provincial relations made its report before the war. When the war came, agreements between the provinces and the dominion were entered into, and the dominion is now in possession of these so-called fields of taxation; the dominion is in possession of the territory.

In passing I may say, as an interesting feature, that the dominion was given these rights to tax for a definite period and for the purpose of winning the war, and that at a certain moment the dominion government diverted the proceeds of these rights to tax from the purpose of winning the war to the purposes of winning an election, which just shows one of the difficulties which will ensue from the prosecution of this centralizing policy. But let us go on. Under these agreements the dominion has the exclusive right for a time, and I am sure that my hon. friends will not argue that because under the peace, order and good government enactments of section 91 they were given, as a result, and because of the emergency arising out of the war, the right to occupy the provincial field, that right remains in them for any additional period. I believe that has been established by the passage of the legislation in December last when the transitional emergency was born. We produce emergencies with greater facility than we used to. It was never intimated, never suggested, that these powers whereby the dominion would exclusively collect moneys by direct taxation would remain. I am aware that judgments of highest authority have held that the dominion has the right to levy taxes of all types, direct and indirect. Nevertheless these private agreements which the dominion offers to the provinces—one by one—go farther. They would result in the suspension of the most considerable, the most elementary, the most fundamental function of government, namely, that of levying taxes and being called upon to account for them. But the dominion is in possession of the field. It collects from income and corporation taxes something like $1,550 million. The minister has said somewhere that he thinks it should be reduced to $1,200 million, because of some changes that are about to become effective; nevertheless there are $1,200 million, without considering succession duties, which the dominion seeks. It is going to spend these amounts and from them it undertakes to give the provinces about $200 million a year. It is going to do all this without amending or attempting to amend in any way the British North America Act.

Speaking at the plenary session of the dominion-provincial conference, the Prime Minister (Mr. Mackenzie King) said, as reported at page 9 of the proceedings:

> In all its proposals, the dominion has assumed that Canada's federal system of government should be preserved and strengthened. I should like to repeat what I said at the plenary session on August 6, last.

I skip a bit, and continue:

> The only constitutional change suggested is the proposal, already mentioned, for the delegation of powers, and with this one exception under which the dominion is prepared to enlarge the powers of the provinces, none of the dominion proposals would require an amendment to the British North America Act, or involve any fundamental disturbance of the

traditional pattern of confederation. In this unsettled period of world transition, it would be unwise to seek constitutional change, or to make irrevocable commitments. What we are now seeking is to meet urgent needs, on a temporary basis, by the simplest and most effective means.

To say that the constitution of the dominion may be so completely perverted, so completely uprooted, and to refer to it as a mere passing event reminds one of those incidents to which the newspapers gave some notoriety a few years ago, and which I believe they called trial marriages. The provinces cannot undergo for three or five years the experience of the type outlined by the minister and survive; the integrity of the fiscal organization of any individual province could never be revived. We know now the great difficulty the dominion is experiencing in returning to the provinces those exclusive rights it derived from them for the purpose and the period of the war. I think it fair to assume that if the federal government obtain these exclusive taxing rights for a period of five years they never will be returned to the provinces.

I want to make one further statement, and I hope my hon. friends will not think I am attempting to be unnecessarily disagreeable. My province has been torn and victimized for twenty-five years by a fear of something called conscription. The good people of that province were told—and if anyone here is anxious to hear what was said I have the newspaper clippings—that they owed no service in wars overseas; and they were told that upon the highest authority. As a result of that policy which was preached in one province but not in others, a parliamentary majority was obtained and maintained in this house for twenty-five years by hon. gentlemen opposite. War came and the nation was torn asunder. I pray that now hon. gentlemen opposite will not attempt in the economic field to convert the necessities of those provinces which at the moment have not the wealth which enables them to draw, from direct taxation, the moneys they need for their maintenance and self-support, into a party advantage. I ask that an end be put to dividing in order that one may rule. If it be competent to the minister and the government to make a special trade with a friendly province; if it be competent to go to a province and enter into an agreement which will deny it the power to tax and the power to scrutinize, I ask, what would happen to that province which happened to be in opposition to the party in power, whether it be the party now in power or another party, if that party should not like the economic doctrines or the political creed of the needy province? We all remember the day when something was said that there was not a five-cent piece for a Tory province. Much as I dislike referring to that incident, because I do not believe the statement was meant, it does show to what extremities a government might go to starve a recalcitrant province into submission if the pernicious doctrine enunciated by the minister were admitted.

Mr. ILSLEY: If I may ask a question, assuming that the dominion government were prepared to act on such principles, would there not be much greater danger of abuse if the hon. gentleman's programme of assistance on the basis of fiscal need were adopted than assistance on the basis of a formula or rule laid down in advance?

Mr. HACKETT: There should be a formula or rule laid down in advance; I agree with the minister. But when the formula and the rule establish a definite overlordship of the dominion and make a vassal out of a province, then the formula is a bad and objectionable rule. They should be replaced by something more effective and more equitable.

Mr. ILSLEY: I am afraid that does not answer the question.

Mr. WILLIAM BRYCE (Selkirk): Mr. Speaker, in rising to take part in this debate I do not want to cover the ground that has been covered already by my colleagues, but I agree with them that the exemptions in the lower income tax brackets are far from satisfactory. I welcome the consideration the minister has shown the fishermen and farmers in allowing them to average their incomes over a three-year period. That is only a partial step; but it is in the right direction.

There is one phase of the income tax to which I had hoped the minister would give some considerable thought, a matter I have brought to his attention before. On the farm the whole family works as one unit; yet when the income tax return must be made up the tax is levied only on the one income, that of the farmer. Previously the minister pointed out to me that other women and other families work, as well as the farmer's wife and family, but again I should like to draw his attention to the fact that the farmer's wife and family contribute more to his income than is the case in any other business. I do not want to elaborate on this point, or go into details, but generally speaking the farmer's wife adds more to the income of the farm than in any other case that can be cited. The same can be said of the farmer's family, who increase the income of the farm by their efforts in connection with milking, haying, harvesting, feeding live stock and the many other chores around the farm. But when the income tax

form is filled out, the income of the whole family is reckoned as the farmer's income, and it is taxed as such. I should like the minister to give attention to this point and see if there is not some other way of granting relief where the entire family produces the income that is taxed.

I wish to go on record as endorsing what the hon. member for Swift Current (Mr. Bentley) said regarding cooperatives. I do not want to repeat his argument, but I want the minister to know that I am wholeheartedly in support of what the hon. member said.

I regret that in this budget the government, through the minister's department is forcing the cooperatives into a profitmaking class, by this three per cent return on capital investment. The minister is classing two different things together in his taxation, two things which should be separated, namely joint stock companies and cooperative societies. One is a service for profit and the other is a service at cost. You can mix them, just as you mix oil and water; but they will not stay mixed. They are entirely different, and represent two different ways of doing business.

I was born in a cooperative home. I have been a cooperator all my life, and I cannot help thinking at this time that in putting cooperatives in this position the Minister of Finance is trying to destroy the principles for which they were formed.

Mr. ILSLEY: The hon. member has said that he was born in a cooperative home. In the cooperatives to which his family belonged were not interest or dividends paid on the capital invested in the cooperative by its members?

Mr. BRYCE: No.

Mr. ILSLEY: None?

Mr. BRYCE: No. The minister will find on the records of this house for 1906 a description of the cooperative to which my mother belonged and which is operating in Glasgow, Scotland, to-day.

Mr. ILSLEY: In the Rochdale type of cooperative I thought it was usual for interest or dividends to be paid to investors, those who put their money in.

Mr. BRYCE: One share. I said I had been a cooperator all my life, and I am wondering if what I consider a cooperative, and the minister's understanding of the term, are the same. I know he must look at it differently from what I do.

I should like, through you, if I may, Mr. Speaker, to have permission to place on *Hansard* the contrasting features between a joint stock company and a cooperative society, as outlined by Mr. J. T. Hull of Winnipeg, when he presented a brief to the Canadian royal commission on the taxation of cooperatives at Winnipeg on February 5, 1945.

Mr. ILSLEY: I am sorry, but I cannot agree to that. If hon. members are permitted to put briefs on the record, I suggest we would be going too far. Up to now permission has been given to place tables on the record, or material the reading of which would be most inconvenient. But I must object to the insertion of briefs.

Mr. MacINNIS: I am in agreement, in principle, with what the minister has said. He is not correct, however, when he says that up to now what has been placed on the record has consisted of tables. A long brief was put on *Hansard* the other evening. I am not suggesting that that practice should continue, because I think it is a wrong one; all I say is that the line should be drawn impartially among all members.

Mr. SPEAKER: I do not wish to deprive the hon. member of any privilege, but I ought to point out to him that the permission to place memoranda on the record is one which is granted occasionally by the unanimous consent of the house usually to members of the government to enable them to have certain official statements incorporated in the report. The privilege is one which, however, should not be taken advantage of generally. If the house were once to adopt the practice of placing documents and memoranda on *Hansard*, *Hansard* would soon become overencumbered.

Mr. BRYCE: I agree with what the minister has said, and with Your Honour's observations. However, to support my argument I shall read the contrast. It is as follows:

The Contrasting Features of a Joint Stock Company and a Cooperative Society

A Joint Stock Corporation	A Cooperative
1. Is a union of capital as an investment to earn a profit.	1. Is a union of persons to supply themselves with goods and services at cost.
2. Shareholding may be anonymous; shares are freely transferable and may be held by anyone.	2. Shares are identified by persons; the shareholder must be admitted to membership or transfers must be approved by the board of directors.
3. Is limited (as a general proposition) in the number of persons owning the business, i.e., the shares are limited in number.	3. There is no limit to the number of persons who may participate in the business within its range of operations, i.e., the number of shares is not limited.

The Contrasting Features of a Joint Stock Company and a Cooperative Society—*Con.*

A Joint Stock Corporation—*Con.*	A Cooperative—*Con.*
4. The shares being limited in number they will fluctuate in value according to the profits they earn.	4. Every shareholder must be a member, thus the shares are not limited and cannot exceed par value.
5. Control by the individual is determined by the number of shares he holds.	5. A member has one vote and no more regardless of the number of shares he may hold.
6. Surplus earnings, i.e., profits, are the property of the corporation.	6. Surplus belongs to the members, i.e., the customers.
7. Surplus is divided among the shareholders on the basis of the number of shares held.	7. Surplus is divided among the members in proportion to the amount of business each does with the society, except where a limited interest on capital is paid.
8. No limit to the dividend paid on share capital.	8. Fixed maximum rate set for dividends on share capital; in some societies no dividend paid on capital.
9. The joint stock company does business in a general way with the public; the buyers and sellers (the parties to the business transactions) are distinct and different.	9. The cooperative is organized to do business with its members; buyers and sellers constitute one body and are identical.
10. The selling price is normally above cost price and the surplus constitutes a trading profit.	10. The selling price is an arbitrary figure containing a margin of business safety above cost and the surplus constitutes an excess charge, or in the case of a marketing cooperative, an underpayment.
11. Business is done for the express purpose of realizing the trading profit which becomes the property of the corporation.	11. The business is organized and conducted as a mutual service for the benefit of the members and not for the benefit of the cooperative as a legal entity.

That is the difference between the two methods of doing business. Here to-day we have a discussion going on as to whether pools are cooperatives, or whether they are not. We have no yardstick to go by. We have no dominion cooperatives act. The government of to-day—and those of the past, both Liberal and Conservative—have failed to say what a cooperative is, and to-day we have people in doubt.

The minister says, in his budget, that the pools are subject to taxation for 1944 and 1945. There seems to have been a great deal of doubt about this. Had the government brought in a cooperative act there would be no doubt at this time.

I understand that a cooperative bill was introduced in this house in 1906 and referred to a special committee. It seems to have been received favourably at that time, because a special committee of the house was set up to look into it. In the *Journals of the House of Commons*, volume 62, for 1906-1907, I find on pages 70 and 71 the evidence given before the committee by Mr. Mackenzie King, then deputy minister of labour, who was a witness before the committee. From his remarks I quote the following:

> Leading economists of to-day both in England and the United States, men who have not at heart the interests of one class of society as against another, but who look impartially upon economic affairs, are pretty well one in the favour with which they view the cooperative movement as a movement exceptionally beneficial from a point of view of educating the masses of the people, from the point of view of enabling the masses of the people to improve their conditions, and from the point of view of the general betterment and welfare of the people of a country.

In the election campaign of 1911 the leaders of both parties promised cooperative legislation. To-day the organized farmers and cooperatives are still demanding a dominion cooperative act. It is another promise that was made and never fulfilled. Perhaps that is the first step, to put legislation on the statutes of Canada as to what a cooperative is. You would then not have this trouble. It must be remembered that if you assess this retroactive taxation against the wheat pools and other cooperatives you will take the money, not from the pool organization or the other cooperatives, but directly away from the individual farmer who has this money to his credit. This money is credited to him and would have been paid out to him had the government acted rightly in the matter. This constitutes nothing but a capitalist raid on the collective savings of working farmers.

Who will suffer the most? The farmer's wife and the farmer's children are going to suffer again. These farmers built up these cooperatives to have service at cost, to raise their standards of living, to have better education for their families, to provide better homes in which to live with more modern conveniences. I want to assure the minister through you, Mr. Speaker, that if the farmer's

patronage dividends, when added to the rest of his income, bring him within the taxation brackets he will willingly pay. I have a press clipping from the *Free Press* of June 18. This is an article by Chester Bloom. I shall not take the time to read it all, but in part he says:

Manitoba farmers led the farmers of all Canada in numbers assessed with income tax in the fiscal year, 1944-45 according to a reply in the house Monday afternoon to a question put by G. H. Castleden (CCF-Yorkton).

The total number of Manitoba farmers assessed that year with income tax was 5,562. Next came Ontario with an even 4,000; Saskatchewan, third was 3,465; Alberta, fourth with 1,316, and British Columbia, fifth with 911. Compared with those numbers, the farmers assessed for income tax in the remainder of the provinces were negligible, as follows: Quebec, 251; Nova Scotia, 83; Prince Edward Island, 82, and New Brunswick, 44.

According to the Canada Year Book, the latest figures given for the numbers of farms in these provinces were shown as follows: Manitoba, 57,810; Saskatchewan, 138,370; Ontario, 175,749; Alberta, 98,985; British Columbia, 25,980; Quebec, 151,850; Nova Scotia, 32,401; Prince Edward Island, 12,144; New Brunswick, 31,731.

That shows that the farmers of Manitoba will pay their income tax if they have anything to pay it with.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

Mr. BRYCE: To continue from where I left off before supper, perhaps I should touch on some material I have received from the Winnipeg grain exchange; at least it came in one of their envelopes, containing a number of advertisements, which appeared in the western papers, prepared by the grain exchange and putting their point of view before the farming population of Canada.

The first advertisement says, "Who dares speak for Mr. Prairie Farmer?" Well, I can assure hon. members that I have been speaking for the prairie farmer in Manitoba for twenty-five years. I have always spoken on his behalf, both when I was on the farm and when I was president of the Manitoba federation of agriculture, and to-day as member for Selkirk I am still speaking for the farmer. I have nothing but the good and the prosperity of the Canadian farmer at heart, and I am sure that the rest of my days will be spent in working for the advancement of the farmer.

The first advertisement outlines wheat prices in the United States and at Fort William, the two main trading centres. It says, "You get less than $1.55 in Canada. The United States farmer gets $2.18 a bushel for his wheat." I do not think very much of this argument. The grain exchange omitted to tell our farmers that the United States price must conform to the ceiling set by the United States authorities; it is said to be related to the American formula for parity with the things the United States farmer has to buy, and it cannot be considered a world price. Taking the general necessaries of life, the common things we need to buy, I think everybody will agree that a Canadian bushel of wheat at $1.55 will buy as much in Canada as a United States bushel of wheat at $2.18 will buy in the United States. No doubt the grain exchange or some individual can point out that automobiles and oil are cheaper in the United States; but if we take the necessaries of life which the farmer has to buy for his own family, the one bushel of wheat will buy as much as the other.

It is claimed by the Winnipeg grain exchange that the open market would bring the price of wheat up to the United States price, which they claim is the world price. I do not agree with that. Let us look at our experience of the past when the open market prevailed. Two years after the beginning of the war, to be exact, on February 2, 1942, hon. members will find that the Winnipeg May price was eighty cents and the Chicago May price was $1.29.

Mr. JACKMAN: How can you tell?

Mr. BRYCE: By the papers of that day.

Mr. JACKMAN: With the grain exchange operating?

Mr. BRYCE: A difference of approximately fifty cents. It is really only forty-nine cents, but there were fractions, and I am not quite clear what the fractions were. If the argument of this advertisement is of any value, why at that time was there a fifty cent spread? And the Winnipeg grain exchange did nothing about it when they had an open market to work on.

In the Searle grain report of Wednesday, April 13, 1946, it says, "The exchange does not make the price"; so why bring this argument in, and flood western Canada with it, when with an open market we could get no more for our grain?

I have been an advocate of a wheat board which could guarantee a steady price from year to year so that the farmer knows what he is going to get for his produce. In any other industry the person who has something to sell takes into consideration, in setting the

selling price of his product, the cost of production plus a reasonable return for his labour. The farmer was forced to take what the grain exchange was willing to give him.

Mr. FAIR: What was left after the grain exchange got theirs, you mean.

Mr. BRYCE: That is right. He has had to sell his product in a market controlled by someone else and to buy the necessaries of life in a market controlled by someone else. There are many hon. members who remember the great demand by the private grain trade after the last world war that the wheat board be discontinued, and the farmer allowed to get the price to which he was entitled.

Mr. FAIR: And the same cry in 1932.

Mr. BRYCE: The same cry to-day by the same people. When the grain exchange came into the open market in August, 1920, wheat was $2.73 a bushel. But let us look at October of the following year; wheat was back down to $1.09. What benefit was the open market to us in those days? None whatever. Had the wheat board been continued, we at least would have had a steady price and an equal price for everybody instead of a fluctuating market.

Then, coming to December 16, 1932, with the open market still in full control, wheat dropped to the lowest record on record, 38½ cents, on the Winnipeg market. It has been stated that this was the lowest price for wheat in 400 years. And the Winnipeg grain exchange, which was enjoying an open market, could do nothing about it. No doubt that is when they found out that the grain exchange does not set the price.

Coming back to the advertisement again, it says, "Will you be satisfied with $1.25 for your wheat?" This statement was challenged and corrected by the press on June 19; but the grain exchange people and the private trade kept on using it because, no doubt, it suited their propaganda. Let me read to the house the statement of H. H. Hannam, president of the Canadian federation of agriculture, issued to the press on June 19:

> On returning to Ottawa I am amazed to learn that reports which are entirely erroneous have been circulated in Canada during our absence, about the stand taken by the Canadian delegation while attending the recent international farmers' conference in London.
>
> One statement at hand referring to the price of wheat says "the delegation stated that western farmers are prepared to accept a minimum wheat price on a long time contract at $1 a bushel with a maximum of $1.25." This statement is so completely untrue that it is ridiculous. No member of the Canadian delegation at any time suggested a long time contract at $1 a bushel or a maximum price of $1.25 a bushel.
>
> In the official presentation from our delegation to the conference, reference was made to the wheat price programme purely to illustrate the point that Canadian farmers will support the principle of a stabilized price on a long time basis, but no mention whatever was made of any price per bushel in that statement. And the statement was read to the conference without supplementary comment.

[Mr. Bryce.]

To answer the question further, "Will you be satisfied with $1.25 a bushel?" may I say that we have been forced to take a lot less in times past when the grain exchange was in full control.

In the future surpluses will become necessary reserves for the food and agriculture organization. If we ever have surpluses, let us trust our farmers' organizations and the Canadian wheat board, and not the Winnipeg grain exchange, which has failed us in the past.

Further down, this advertisement says that even the British farmer got $1.78 for his wheat this year and that the French farmer was guaranteed $1.78. Let us look at this. The Canadian farmer sells his wheat at Fort William for $1.55 a bushel. It takes approximately twenty cents a bushel to take it to seaboard; that is Montreal or Halifax. So that makes $1.75 for the wheat at seaboard, and to equal the British or the French farmer's price it has to be taken across the ocean for three cents. It must be obvious to any unprejudiced person, or any person who has any sympathy for the people in the countries that have suffered so much, that the price we are receiving over there must be around $1.90, or about all that they can possibly be expected to pay.

We can hope that negotiations now under way will announce a price suitable to both parties; and while agreements may be bilateral for the time being, it will ultimately lead to an international agreement. We must adopt the principles of the united nations food and agricultural organization whose policy is to live and let others live too, sharing the food of a bounteous world.

The grain exchange was opened in 1903 and had a laudable object in view in those days. That was a place where men went to sell wheat and other men went to buy. But that was in 1903 and we have made vast strides since then. The method, while suitable in 1903, is far from being suitable to-day. A farmer who might go and cut wheat to-day with a reaper as in 1903 would be laughed at. He does not do that. He goes with a combine to-day. He is employing more modern ways of harvesting his crop. But the grain exchange is still the same 1903 machine.

Operations on the grain exchange are closed now because they failed to function or were not needed during the war years. During the first war the wheat board was needed because the grain exchange system was found wanting. In the hungry thirties, when the price went to 38½ cents, there were cries all over the country to reestablish the wheat board, and again in the critical years of the second war the wheat board had to be made the sole marketing agency, since the out-of-date grain exchange system was not needed and could not fill the bill.

The wheat board has proved to be a modern way of marketing grain. Why go back to the old method now? In the forty years that the Winnipeg grain exchange has existed, I would point out to hon. members that there have been eighteen commissions in all which have sat and inquired into its operations. I know many hon. members admit that, but point out that the commissions never found anything wrong. But I am sure that when an organization needs a commission appointed approximately once in every two or three years to inquire into its business, there is an impression that something is very wrong; and looking over those commissions which have sat over the last forty years one asks who sat on them and how many farmers were on them. Had there been some bona fide farmers on those commissions, I am sure that some of the conclusions arrived at would have been much different.

One of the last times I spoke in the house I spoke of parasites in the grain trade, and I have been reminded by Major Strange, a prominent grain authority at Winnipeg, that he has never seen any parasites in the grain trade. I never thought that Major Strange would take my statement to mean the employees of the grain companies. Far from it; when I speak of parasites in the grain trade I am talking about the man who has the gambling instinct, the instinct to buy and sell to make easy money, speculating on the grain exchange.

I recognize the research work that has been done by the different companies, but that has nothing to do with speculation on the grain exchange. The man who has that gambling instinct in his blood can go to the horse races or to the greyhound track. I know from experience that when you go to the races you do not hurt the jockey; you do not hurt the racehorse; you only hurt yourself. But if a man starts gambling in the food of a nation, then he is harming others. He is creating false markets and is depriving the farmer of that steady market which should exist for twelve months of the year.

Look at rye to-day. It is a disgrace to Canada that this government ever allowed speculation to continue in rye. I have statistics from the Sanford Evans statistical service, and if you follow these figures through 1944, 1945 and 1946 you will find that when the farmer was unloading his rye it was always cheaper than when he had no rye to sell.

If the farmer sold his rye when the markets were high he would get a high price, but the market is high only when he has nothing to sell. Moreover, as my hon. friends know, taxes, mortgages, agreements of sale and other expenses generally have to be paid in the fall and the farmer is forced to sell at this time when the price has always been much lower.

It would be interesting to know how many bushels of rye have been sold in 1946—rye that never existed or was never grown. When the grain exchange was asked for this information it did not think it was in the best interests of the people to give it. We can rest assured, however, that the visible supply of rye was sold many times, over and over again.

In conclusion, I do not think I could express my views better than to quote from an editorial in the *Western Producer* of July 4, 1946:

> Public memory is notoriously short, but the farmer we believe retains his longer than the average. He will not yet have forgotten the tragic recurrence of slump and boom which has transformed the basic business of farming into almost a gambling venture. We do not propose to go into particulars here, but in the time-honoured tradition of the after-dinner speaker, we may be permitted to make a point by recounting an illuminating and absolutely true story. One of the giants of the world grain and milling business was recently discussing the future of wheat. He is a convinced believer in the "open market" and made no bones about it. One of his listeners ventured to suggest that if the grain exchanges were allowed to operate freely at the moment wheat would almost certainly advance sharply. He wondered whether this big operator with huge milling interests would welcome such an advance? He got his answer. "Three dollar wheat," said the operator, "is the quickest and the shortest way to fifty cent wheat."

That remark is one which every farmer should ponder long and deeply.

But why go on? The overwhelming majority of western farmers have, time and again, demonstrated their unanimity on certain vital points. Among them are these: they want the Winnipeg grain exchange erased, blotted out, done away with for all time; they want the wheat board recognized and accepted as a permanent part of the marketing system; and, to take the place of the madly fluctuating "open market", they want a negotiated, stable price fixed from time to time at a level acceptable to the producer

and the consumer. These are the truths which the farmer holds to be self-evident and about which there is no argument.

In one of the last grain bulletins to come to my desk the editor refers to the so-called farm organizations being cooperatives and not representing the farmers. There are many farmers in the farm organizations who do not belong to the pools or other cooperatives—I am one of those who do not belong to the pool—but for the grain exchange to come along and claim to represent fifty per cent of the western farmers is too funny for words.

Let the record speak for itself. Since the days of the patrons of industry right up to the present time the grain exchange and private grain trade have fought against every move the farmer has made to improve his condition. Think of the fights that have been put up regarding: (1) The expulsion of the first farmers' grain company from the Winnipeg grain exchange for their announced intention to pay patronage dividends. (2) The lobbying by the grain trade for the discontinuance of the Canadian wheat board in 1920. (3) The bitter campaign of misrepresentation by the grain trade against the wheat pools in 1929 and subsequent years. (4) The violent opposition of the grain trade to the present wheat board established in 1935.

Oh, no, no farmer who has lived on these western plains and produced the grain by the sweat of his brow over the last forty years will ever forget these things. Speculation and gambling in food with two-thirds of of the world hungry and starving cannot and will not be tolerated. The grain exchange is doomed. The writing is on the wall; it is there in large electric lights. Orderly marketing is the modern way.

Mr. Speaker, my last words are, let us remember that in many farm homes, men and women, regardless of present prosperity, long for the day when stabilization and reasonable security will replace fear of the future.

Mr. THOMAS REID (New Westminster): In rising to take part in this debate I am almost tempted to answer the remarks which I heard around me just before I rose to my feet. One hon. member said that this looks like Caledonia night. I say to the hon. member for Selkirk (Mr. Bryce), do not be discouraged. I remember when I came to the house back in 1930. When I made my first speech I was told that there were only two languages permitted in the House of Commons, namely, the French and the English. I can tell the hon. member that since that day hon. members have understood, if not by words, at least by gestures, all I really meant to convey.

My first words are to compliment the Minister of Finance (Mr. Ilsley) on the budget which he has just brought down. I wish to compliment him not only on the present budget, but on his handling of the finances of Canada during six strenuous years of war. It has been my good fortune to sit in the house under six finance ministers. I recall each and every one of them, but I have one particularly in mind, who I now understand lives among the mighty in Montreal. I refer to the Hon. Charles Dunning. I well remember him as minister of finance, on being asked to expand the amount given to the old age pensioners, rising in his place and asking, where will the money come from? He is probably remembered to this day as the man who asked that question. The Minister of Finance has answered that question fully, because by his ability and the efforts of his officials he has raised the largest amount of money to be expended throughout the years of war that has ever been raised by any finance minister since confederation. We were disappointed when we heard rumours that the Minister of Finance would, perforce, have to take a holiday. All hon. members who know something of the work of the cabinet ministers realize that there has been no harder worked cabinet minister or one who has burned the midnight oil longer than the present Minister of Finance. However, I was not surprised when the Prime Minister (Mr. Mackenzie King) announced to the house that he would take advantage of the well earned holiday of the Minister of Finance by asking him to go to Geneva to represent Canada at the Geneva conference. I am not at all surprised at the Prime Minister doing that, because a more able minister he could not have chosen.

Since the Minister of Finance has consented to go to Geneva the country and parliament should have a statement from him on his return and from the Prime Minister on his return from the Paris conference regarding the many conflicting statements which have been appearing in the press in regard to conditions in Europe. I am going to draw the attention of the Minister of Finance to a statement accusing UNRRA of a grave charge. I shall ask him to investigate this and other matters as well in connection with UNRRA when he goes to Geneva. On his return I trust that in his official capacity as representing the government he will be able to inform the house just what is going on there. The statement to which I refer appeared in

the *National Home Monthly* of Winnipeg, of May, 1946, and was written by Leonard Mosley. The magazine may be found in the reading room. Mr. Mosley writes:

> Any afternoon this spring, in the narrow streets behind Omonia square, in Athens, you can see large groups of pinched and ragged urchins slopping miserably about in the mud. All around them piled high on barrows and stalls are the shoes that should be on their bare feet, the coats that should be warming their ricketty bodies, and the tins of food they should be eating. But the shoes cost $160 a pair, the coats $240 each, and the meat, butter or beans $6 a can. Yet Canada and Britain and America paid for all those goods on these black market barrows. They are UNRRA goods sent to this country at our expense to keep these Greek urchins . . . and the story of how they got on to the black market is typical of what happens to UNRRA in a land like this . . .
>
> In the six months which ended last December UNRRA imported into Greece $18,000,000 worth of foodstuffs and another $56,000,000 worth of clothing . . . that, combined with internal resources, should have given every Greek 2,000 calories daily . . . and clothed all who really needed it . . . despite some magnificent work by Canadian, American and British personnel in Greece, the supplies that should have saved the lives of hundreds of people were diverted to the black market or blocked by Greek officials for political reasons.

Then Mr. Mosley goes on to tell the entire shocking story. If these statements are true I think it is time we reviewed the entire situation. What is everybody's business is nobody's business. If those conditions exist, in my opinion it would have been far better, and would be better now, if Canada handled the distribution of her own goods. The people of this country have contributed largely to the funds of UNRRA; yet the goods have not reached the people for whom they were intended. Then this writer speaks about surpluses in Denmark. I trust the Prime Minister (Mr. Mackenzie King), the Minister of National Health and Welfare (Mr. Claxton) and the Minister of Finance (Mr. Ilsley) will travel through these countries and, when they come back, tell the people of this country and parliament just what they have actually seen. These statements and letters which have been appearing in the newspapers from people who have held high official positions in these countries, are disquieting. Just a few days ago I saw that Right Hon. Anthony Eden in Britain had asked where all the wheat was going, and a blue paper brought down in the British House of Commons stated that some twelve million tons of wheat had been made available to Britain and to Europe. Is it any wonder that the people of Britain are beginning to get restless, the people who bore the brunt of battle for six long years and who now have to queue up for bread? It is not due to the fact that Canada has not sent enough supplies, because we have; but if the wheat and other goods are being used to play what are called power politics, we should be informed. I believe parliament should have a complete statement on the return of the Prime Minister and the other two ministers. We also read articles in which it is stated that American wives in Berlin, for instance, can obtain more goods there than can be obtained in the United States. I am not going to take up the time of the house by mentioning all the goods these American women found in Berlin only a month ago, but the article says plenty of butter, plenty of clothing and plenty of other goods can be obtained in Berlin. I do not want to labour the question, but if these statements are true something should be done about it, and if they are not true an official statement should be made by the Prime Minister or the Minister of National Health and Welfare or the Minister of Finance on their return to this country.

Leaving that matter for the moment and coming to the question of dollar parity, may I say that I for one was particularly pleased when the minister announced that our Canadian dollar would be equal in value to the American dollar. As a matter of fact the Canadian dollar is the best dollar in the world to-day. There are people in the United States who for some time have been coming to Canada whenever they wished to send funds to European countries. Why? Because the Canadian dollar is recognized in Europe as the best dollar in the world; yet for a number of years it has been at a discount in the United States. I happened to be in that country the day it was announced that price ceilings would be lifted, and I took it upon myself to ask both merchants and men on the street how they felt on the matter and if they liked the idea. I also inquired as to their views in regard to the reason for lifting price ceilings. Here are some of the answers I received, not only from merchants but from quite a number of others as well. "The black markets have got out of hand," they said, and they quoted the case of butter as but one example. The ceiling price on butter had been set at around sixty-two cents. You could not get any at that price; but one person said, "Give me $1.25 for each pound, and I will get you all the butter you want." Another person I met said there was a great shortage of nylon stockings, and asked if I knew where they were. I said, no, I did not. "Well," he said, "they are down in Mexico." Apparently higher prices are being obtained in Mexico for many products manufactured in the United States; hence the shortages that have existed in that country for some considerable time.

There is another matter I should like to mention. I do not know whether we can do anything about it, but I want to draw it to the attention of the minister. For some time past there has been excessive buying by Americans on the Canadian side, of goods which are not obtainable in their own country. Only the other day I had a letter from a dealer in tires, who told me it was impossible now to buy a tire, that for the last two months nearly all available tires have been bought and picked up by United States tourists. It is true that we like to have their money; it sort of balances trade; but, after all, if we are to be kept under strict rationing and price ceilings I believe we should keep our eye on the amount of scarce goods which are being taken across the line out of the country.

That brings me to a thought I had in regard to black markets, and for a moment or two I should like to deal with the accusations that have been made in regard to the black markets in lumber in British Columbia. Before doing so, however, in commenting upon the dollar parity I may say I suppose it all depends whose ox is being gored; but I believe it is best for the general welfare of Canada that this has been done. I am going to mention one or two articles in which we will benefit. We in British Columbia import our gasoline in the form of crude oil. Removal of the ten per cent discount will mean a lower price, unless of course there is a price increase in the United States; but in any event it should mean that we can purchase our crude oil for ten per cent less. Then the cities and municipalities whose bonds are still held in the United States, and on which a ten per cent premium had to be paid, will save considerable money. Money will be saved also on any machinery that must be bought in the United States. I know this change will affect gold mining. Here again, however, the entire industry of gold mining depends largely upon the fictitious price of $35 an ounce set by the United States; and whatever they do with the price of gold will affect gold mining in Canada far more than bringing our dollar to parity.

What I am a little perturbed about, however, is the great drop in the exchange value of the pound. When the United States dollar was at a premium of ten per cent the British pound was also at a premium of ten per cent; but when the minister announced the removal of the premium, bringing the dollar to parity, the British pound dropped almost out of sight. At least it dropped to $4.02, buying, and $4.04, selling. I suppose this has been done because the British pound in the United States has been set at that price. But that is going to affect us far more than the parity of our dollar with the United States dollar. Before the war, to a great extent we depended upon Great Britain as a market for our wheat, our lumber and our fish. I do not know about the lumberman, because he is not subsidized, but I do know that the Canadian farmer and the Canadian fisherman will probably not recognize that a change has taken place, because the government will pay the guaranteed price in Canadian funds. But when it comes to a question of lumber, I am just wondering what will happen to the lumbering industry. How are they going to get along? I know there are those who say, "It will be all the better for us, if no lumber is exported; we shall have more lumber." That may be true for the present, Mr. Speaker, but I am taking a long-range view. Before the war, sixty per cent of the lumber produced in British Columbia was sold on world markets, and we depended upon those world markets to supply us with the money with which to buy millions of dollars worth of goods in the protected markets of Quebec and Ontario.

I hope trade between Great Britain and Canada is encouraged. I hope it will be an incentive for us to buy more British goods; because, unless we do, I cannot see, after looking at the trade figures, just how Great Britain is going to continue to trade with this country. That is the way it strikes me, after examining the trade figures from 1939 to the present time.

Coming back to the United States dollar, I have all the trade figures of that country before me, and I know this is only one small aspect of the entire picture of dollar parity. We have an adverse trade balance with the United States of $1,668 million for the calendar years 1939 to 1945. This means in dollar exchange that we paid them over $166 million more than we should have paid them. No explanation has yet been given for the drop in value of the British pound. The value of the British pound was $4.64; it is now placed at $4.02. I wonder what that will mean to our people here, especially if there were no subsidy and no guaranteed price being paid. It would be just a little unfortunate. I remember the days from 1930 to 1935 when the pound went down to $3.63, and I remember the cry which went up from the prairie farmers about the great losses which occurred during those years when we got only $3.63 for each British pound's worth of wheat purchased from Canada.

Mr. ILSLEY: The pound sterling dropped ten per cent, like the United States dollar. The hon. member's figures are not quite correct.

Mr. REID: I thought the British pound was $4.64.

Mr. ILSLEY: No, $4.45.

Mr. REID: Then I shall have to accept the minister's figures. I know they are correct, or he would not quote them. And, having those figures in view, the outlook is not just as dark as I thought it was.

To come to the question of lumber, the accusation has been made by legion bodies and by other responsible bodies in British Columbia that black markets in lumber are operating extensively. I do not know whether they are or not; but it should be the responsibility of the government to have the matter investigated. Such charges are serious, indeed.

There is no one but must admire the creditable task performed by the minister's department in holding down price ceilings. On July 1 newspapers were appearing in various places stating that rents would go up ten to twenty per cent in the United States, food $250 a year and clothing $100 a year for a family of four. That is only the beginning. I am one who believes implicitly that most lines under the ceiling should remain there until our shelves in Canada are stacked with ample goods for the people who require them and who now have the money to buy them. I support the minister to the utmost in the efforts made by him and his officials to hold down certain price ceilings.

May I offer one criticism, however, respecting some of the rental regulations. We in British Columbia feel that the officials are not too kindly disposed to us in that province. I have particularly in mind rental control. All hon. members know something of the scarcity of homes to-day. But in my opinion there are some landlords who are taking a terrific beating during these past six years. The regulations have been such as to prevent many people from opening their homes and taking in those needing housing accommodation. They realize that under present regulations, having taken persons in, it is impossible to have them removed.

It would seem that the rental regulations were made primarily for the eastern and central provinces, and perhaps for the prairies as well. Mind you, I am not advocating that a person should be thrown out indiscriminately, but under the regulations one cannot evict a tenant between September and April. Well, those who prepared those regulations must have known little about the salubrious climate we have on the Pacific coast. These regulations are for the benefit of climates running to twenty or thirty degrees below zero.

Some of the letters I have received are almost pathetic. For instance, only the other day I received a letter from a man who had been a veteran of both world wars. He bought a home for his daughter, who married a veteran. But, although he owns that home, do you think he can get the tenant out? No, he cannot. Under the regulations he is not permitted to do so. You cannot force them out, and some of them simply thumb their noses at the landlords. And, as has been suggested to me just now, some are doing that very thing, quite literally.

The argument is made that the regulation is to especially protect ex-service men. I have in my filing cabinet information respecting at least six ex-service men who have bought homes within the past year, but who cannot get into them. The tenants are simply saying that they will not move. I am asking the Minister of Finance to consider this matter seriously, because some of these owners are taking a terrific beating.

For instance, I have one case in mind where the tenant is making six times more money than the landlord.

Mr. MacNICOL: I know of the same kind of case.

Mr. REID: The landlord has to do all the repairs, pay the taxes and attend to the general upkeep of the building. Since the war began, the tenant has subdivided and sublet the entire building, and has been drawing five or six times more rental than the owner of the building. I draw this to the attention of the minister. It is all very well just to gloss it over; but these things are doing something to our people; they are doing a great deal of harm, something which will embitter them for many years to come.

Mr. SMITH (Calgary West): What would you do about it?

Mr. REID: There is one thing I would do; I would take these rental appeals out of the hands of lawyer judges. I would get men who had a little more humanity in them, men who were not bench-trained in the law, men who did not cross every "t" and dot every "i".

Mr. SMITH (Calgary West): Humanity for the tenant or humanity for the landlord; which do you want?

Mr. REID: Wherever humanity was most required, I would have it administered.

Mr. SMITH (Calgary West): Throw one out and leave another in.

Mr. REID: If you want any further explanation I shall be glad to give it to you after I am through, but I should like to finish my speech.

Mr. SMITH (Calgary West): You cannot give it.

Mr. REID: My hon. friend is a great interrupter; he is one of those who can give it out but who cannot take it. I do not like rude interruptions. I have a speech that I want to deliver and some of the interruptions are almost impertinent.

I should like to come back to the question of lumber. I think the prices board did wrong in lifting the ceiling on the prices of logs. I can tell the minister the twofold effect this is having. First, taking the ceiling off the price of logs in British Columbia is forcing the small, independent mill man out of business and is gradually concentrating control in the hands of the large mill man who has his own woods operations. Second, taking the ceiling off has brought up the price of No. 3 logs to a point where it is almost equal to the wholesale price of lumber.

To-day No. 3 logs in the open market cost $25 per 1,000 feet, whereas the wholesale price of lumber is $27 per 1,000 feet. The prices of No. 1 and No. 2 logs are much higher. No. 1 logs, which cost $24.50 per 1,000 feet in 1940 cost $40 per 1,000 feet at the present time. No. 2 logs, which cost $19.50 per 1,000 feet at that time, are now worth $30 per 1,000 feet. Back in 1940 No. 3 logs cost $14.50 per 1,000 feet and, as I said, they now cost $25. I am going to suggest to the minister and the government that it is high time some real inquiry took place in regard to the entire lumber situation in British Columbia. On the one hand, wages, the price of logs and prices of material have gone up, while, on the other hand, there is a group saying to the government, "Do not allow lumber prices to rise." I am not going farther into the question this evening other than to draw the attention of the minister to the seriousness of the situation and suggest that it is high time it was investigated.

Coming back to the budget, I was pleased, and I suppose every hon. member was pleased, to hear the announcement made that farmers and fishermen would now be allowed three years over which to spread their income. That will be of inestimable value to our farmers. In answer to the criticism that this period should be five years, I would reply that the farmer can take any three years he wishes. He can take the next year, the fourth year or the fifth year and spread his income back over any three years. I think the announcement made by the minister will be well received.

I should like to say a word now with regard to what the government has done in the budget in connection with cooperatives. There has been a great deal of confused thinking and speaking since the announcement was made, in regard to the taxation of cooperatives and allowing patronage dividends to be free of tax. I listened to one speaker, a member of the C.C.F., who rightly said that cooperatives should be encouraged and that people should be encouraged who endeavour to lift themselves up by their bootstraps. Of course all these people should be helped. I doubt if there is an hon. member in this House of Commons who is not in favour of advancing and helping the cause of the cooperatives.

I am a little surprised, however, at some of the statements that have been made by members of the C.C.F., especially those who spoke so frequently against profits shortly after the inception of their party. It is a well known fact that there are cooperatives which are strictly profit-making organizations, and there is the true cooperative, the one where men band together, profitably to themselves it is true, but not with their eye on getting profits, the kind of profits so glibly connected with free enterprise or the capitalist movement. Under this budget, that organization which is a cooperative in the true sense of the word is actually helped.

I have the honour to represent a constituency in which is located one of the most successful buying cooperatives in Canada. This organization has 2,300 members and has an annual turnover of $2,000,000. They buy wheat and grain from the prairies and they charge just about the same as the other milling associations. Naturally they have a surplus or profit, but that profit is distributed among the members in the form of patronage dividends and so will not be taxable. Where in fairness, therefore, can any charge be made against the Liberal government that they are trying to keep down the cooperatives?

Some people again try to link the cooperatives with socialism. I well remember in the early days of my youth when our family was a member of the Scottish cooperative association, one of the finest in the world. Will any hon. member rise in his place and say that they are not a profit-making organization? They had a regular slogan in those days, "The more you eat, the bigger the dividend." The prices they charged were exactly the same as those charged next door, but with this difference. Instead of one man getting the profits, they were distributed among the members of the cooperative association as patronage dividends. Make no mistake; they are really profits as we know them.

There are cooperatives in this country which are just as capitalistic as any capitalist organization one could name. They are not true

cooperatives in fact at all. To my mind, the action of the government will clarify the entire situation and at the same time help the true cooperatives.

I should like to deal for a minute or two with income taxation. I suppose the ideal state would be one in which we could carry on our business without the imposition of any taxes at all. However, I would remind hon. members that during the war, when the large budgets were being brought down, the only members who protested against borrowing money were the Social Crediters. We were all willing that the government issue victory bonds and no one rose in his place and said, "Mr. Speaker, I say to the Minister of Finance that we should not borrow; we should pay our war expenditure 100 per cent." The only ones who talked differently were the members of the Social Credit group who were against borrowing money.

To my mind, what the minister has done in this budget is outstanding. Starting with 1943, we had a deficit of over $2,500 million. We issued bonds for that; we borrowed for that deficit and no one was greatly perturbed. In 1944-45 we again had a deficit of over $2,500 million. From 1943 to 1946 the deficits of this country totalled $7,151,217,000. Now we have this budget showing a deficit for 1946-47 estimated to be not over $300,000,000. In addition, the Minister of Finance tells us that in the following year he expects to be able actually to balance the budget. I think that is sensational, and it is something which we can be justly proud of. I have listened to the wail of those who say that the income tax is too onerous; but if the bank deposits and the bonds held by the people of this country are any criterion, I am surprised that anyone would squeal about taxation. In 1939 the bank deposits of all individuals amounted to $1,678,363,561. Note what it is to-day? Bank deposits held in the names of individuals are up to $3,305,701,658. Further, take the bonds held by individuals; in the nine victory loans which we have issued successfully under the guidance of the Minister of Finance, they hold $12,355,000,000. As a matter of fact, if everyone agreed that what they own would be given to wipe off the debt we would have no debt left at all. That is a revolutionary idea, I know, but when people talk about a jubilee by wiping off the debt, remember, whether we agree with the idea or not, that there is as much money in the hands of the twelve million people of Canada to-day as would wipe out the dominion debt. When they get up and talk about taxation hurting I say for numbers of our people this is going too far. The thing just does not make sense.

I have just one word to say on the dominion-provincial conference, and then I will close, because I see I am just about through as far as time is concerned. I am one of those who was greatly disappointed at the lack of results of the conference. I want, however, to make one or two comments regarding the recent offer made by the Minister of Finance to the provinces. I should like to have seen the minister attach to these proposals the suggested social security measures. I think it is a mistake to allow the two central provinces forever to run this country. I say that openly, and I do not think it can be successfully contradicted. I am thinking particularly of the old age pensioners in British Columbia, who were looking for the acceptance by all the provinces of the proposals made at the conference; and I am going to ask the Minister of Finance to think over this point seriously. When the old age pension legislation was put into effect in 1927 the wage level, taking 1939 as 100, stood at 97. To-day the price level stands at 137, forty points up. If $20 were considered enough in 1927, what must the need be to-day, when the wage level has increased forty points? Reference was made by one of the ministers about freezing the cost of living bonus which has been given to civil servants and making it permanent. Well, I am all for it. But I do not know what answer I will give to the old age pensioners of British Columbia who ask me, "Why should these people who are working get more by way of a cost of living bonus than the small amount the government now gives us?" I say to the minister, give the matter of old age pensions some thought, and if he can, revise the proposal to the various provinces, because if he can get seven to agree to his financial proposals with the social security measures which were enunciated included, it will go a long way to bring the other two into line.

I have only time for one word more. I saw in the paper the other day a statement made by the leader of the official opposition (Mr. Bracken). It reads:

> New offer by the dominion government to deal with the provinces individually in making new tax agreements substitutes coercion for consultation and brings the danger of "Balkanization" to Canadian relations, in the opinion of John Bracken, Progressive Conservative leader.
>
> In a speech prepared for delivery over a national radio network Wednesday night, Mr. Bracken declared that if he had been in the position of Prime Minister at the recently indefinitely adjourned conference an agreement would have been reached.

I say to you, Mr. Speaker, that, holding the position he does as leader of the Conservative party and as leader of the official opposition, he should come into this house and tell the house and the country in what particular he would have offered terms to the provinces differing from or better than that of the Minister of Finance. He owes that answer to the country. I leave that suggestion with him.

Mr. G. S. WHITE (Hastings-Peterborough): Mr. Speaker, with reference to the concluding remarks of the hon. member who has just taken his seat, I would not presume to speak for my leader, but I will say I am sure that if the leader of the opposition (Mr. Bracken) had been in charge of the dominion-provincial conference he would never have held a big club in the manner in which the Prime Minister (Mr. Mackenzie King) and the Minister of Finance (Mr. Ilsley) did over the provinces. I think it is well understood that the Prime Minister and the Minister of Finance really wanted the conference to fail, in order to get out of many of the social security measures which they had promised and which they knew they could not fulfil.

Mr. ILSLEY: I deny that.

Mr. WHITE (Hastings-Peterborough): The minister may deny it, but he will find there are many people in Canada who believe that he and the Prime Minister were looking for an alibi to get out of their obligations.

In regard to the remarks of the hon. member with reference to rent control and rental regulations, I wish to say only a word. The hon. member referred to the manner in which these regulations were administered and suggested that they be taken out of the hands of the county judges. But I would point out to him that the judges did not draw up these regulations; all they can do is to interpret them, and those who practise law will, I think, agree with me when I say that these rental regulations are in many instances, both ridiculous and absurd. After all, what else can one expect when they are drawn up and put into force by this autocratic and bureaucratic wartime prices and trade board.

The hon. member referred to the difficulty of returning veterans who wished to buy a home or to secure rented accommodation. Every member who has had anything to do with them knows the restrictions under which the soldier has to operate. I remember that, speaking in this house some two years ago, I suggested that these rental regulations should be reviewed and that they should not apply to every little hamlet and four corners throughout the country.

[Mr. Reid.]

The hon. member has just mentioned that many people who in normal circumstances would be willing to rent part of their houses, a flat or a room, when they are advised that once they let a tenant in he is in "for the duration", simply say, no. After all, in many cases one cannot blame them.

I only wish to deal with one item in regard to the budget, and that is the resolution which deals with the amendment to the Succession Duty Act, and which reads:

> That rates of tax upon or in respect of any succession upon the death of a person after December 31, 1946, shall be twice the rates presently in force and that the tax paid to the government of any province in respect of the same succession be allowed as a deduction from the tax payable under the Dominion Succession Duty Act up to but not exceeding one-half of the tax otherwise payable under the said act.

In this regard, I should like to refer to certain remarks of the parliamentary assistant to the Minister of Finance (Mr. Mayhew), as reported in *Hansard*, at page 3259:

> The impression created by editorials and statements appearing in the press is that the dominion has doubled the rate of succession duties that will apply on estates in 1947. How such a gross misstatement of the facts could have been seriously advanced is beyond my comprehension. The dominion's proposal was simply that the rates of duty under the dominion act would be doubled and that any duty paid to a province would be offset against the dominion duty up to one-half the amount of the increased dominion duty. Since existing provincial duties are now generally as high as or higher than one-half the increased dominion duty, in general there will be no increase in total duty under the change.

I would emphasize the last line, that in general there will be no increase in the total duty under the change. In the budget speech of the Minister of Finance, at page 2905 of *Hansard* there is a forecast of the estimated amount of succession duties to be $24 million as compared with $21 million for the year 1945-46. That is an increase of $3 million for a period of only three months as far as the new rates are concerned, and for a period of twelve months the increase on the same basis would be $12 million. In the same budget speech, at page 2924, the Minister of Finance estimates that the succession duty collected in one full year under the new rate will be from $48 million to $50 million, less whatever amount is allowed for duty paid to the province.

If the succession duties are increased at least $12 million a year, it is hardly fair or reasonable for the Minister of Finance or the parliamentary assistant to say that there has been no increase. I contend that in the average small estate there will be the full increase of 100 per cent in dominion succession duties

after the first of January, 1947, and the parliamentary assistant, at page 3259, gave two examples of how the double increase would work out. Unfortunately, however, he took only two large estates. He took one of $50,000 and one of $2 million, but he made no mention of the average small estate which would be exempt from provincial duty, except for the following remarks which are found at page 3259:

> There may also be individual cases where the dominion taxes a succession which the province does not tax or possibly taxes a succession in a manner different from the provincial practice where the duty under the dominion's proposal might be increased. In these cases, however, the increase would normally be relatively small in amount, and would not affect the general statement that the level of succession duties in Canada has not been raised.

That is very plain English; and, coming from the parliamentary assistant, I take it that the Minister of Finance contends that there will be no increase under the dominion succession duty rates except for the remarks about a relatively small amount which would not affect the general statement that the level of succession duties in Canada has not been raised.

I would refer the minister to the following example. In the province of Ontario, in all estates up to $25,000 which pass to preferred beneficiaries there is no succession duty payable to the province, and in estates passing to those in the collateral class there is no duty up to $10,000. My contention is that in all these estates up to $25,000 that pass to preferred beneficiaries, the heirs are going to be called upon to pay an increase of 100 per cent in succession duty to the Dominion of Canada.

The Minister of Finance and his parliamentary assistant may consider this increase, to use their own language, a relatively small amount, but I would point out that these small estates are the ones least able to bear any increase in succession duty. There may be some justification for taxing large estates; but in my opinion the imposition of succession duties on small estates is only legalized robbery; and I say to the Minister of Finance that if it is his contention that there is to be no increase in dominion succession duties, then he should see that some provision is made whereby this full 100 per cent increase will not apply to any estate which is not taxable in the province.

If I am wrong in my contention that there is a full 100 per cent increase in succession duty rates as I have outlined, I shall be glad if the minister or his parliamentary assistant will correct me. While I have not the figures before me, I am quite satisfied that it is the average small estate that makes up the bulk of the succession duties collected. The same thing applies to income tax. It is the average small taxpayer who makes up the great bulk of the taxes collected, because only last Friday, at page 3404 of *Hansard,* to show the enormous amount of income tax paid by the low income tax group, the Minister of National Defence (Mr. Abbott) said that if the exemption were raised to $1,200 for single men and $2,000 for married men there would be a loss of revenue of some $325 million.

There is the further point that if the Minister of Finance does make an arrangement with a province or all the provinces and the provinces give up their right to collect succession duties, the natural thing that will happen is that the dominion rates will rise, because I recall that during the last dominion-provincial conference the Minister of Finance made a statement to the effect, or at any rate I took the inference from what he said, that if the provinces vacated the field of succession duty the dominion would collect more succession duty taxes than are collected at the present time.

I would also point out to the Minister of Finance and the parliamentary assistant that no mention was made in the budget, as far as succession duties are concerned, about an improved method of making assessments or of speeding up the time in which final releases are granted to estates. The dominion allows only six months for payment of succession duties without payment of interest. The minister knows that in many estates it is very difficult within the six-month period to find ready cash to pay the duty without sacrificing certain assets of the estate. If only six months are allowed for payment of duty I contend that in any estate where the fault is the fault of the department in making the assessment there should be no interest penalty. I think the minister would be probably the first to say that that is only fair and reasonable. I should like to give him an example. In a small estate I filed the required papers with the inspector on October 28, 1944. With the papers I sent a cheque for the estimated duty. The assessment notice from the department was received on May 9, 1946, and it was dated the previous day, a delay of almost eighteen months. The assessment claimed a further payment of $846.14 for duty, plus a penalty of $60.29 for interest. I realize that that amount is small; but I ask the minister in all earnestness, why should this particular estate be penalized in the amount of $60.29 for interest when they

had absolutely no control over obtaining the final release? The delay was entirely due to the department not making the assessment.

Further, in all cases where there has been an overpayment of duty no interest is allowed. In Ontario, at least interest is allowed where duty is paid in advance. The same conditions apply to income tax payments. Every hon. member has had many cases and knows of others where the assessments are held up for a long time. In some cases they are years late, and when the assessment is finally received the income taxpayer always finds there is a penalty added. But where the taxpayer has overpaid his tax and after a long delay he does receive a cheque he is not allowed any interest.

I regret that in his budget remarks the minister did not say that the income tax collection method would be overhauled and brought up to date. At page 2923 of *Hansard* the minister did refer to the necessity of having some change made in the method of appeals. At the present time a taxpayer may have a legitimate claim involving a small amount, but under the present complicated and expensive procedure the average taxpayer would be much farther ahead financially to pay the amount assessed.

In regard to the new appeal court announced by the minister, he said that it would have the power to review the discretionary powers now vested in the Minister of National Revenue (Mr. McCann). I suggest that the minister should have no discretionary powers in regard to income tax. There should be one law for everyone and no case should be subject to the discretion of any minister.

The proposed separate board which the minister said is to be set up to advise the minister on the exercise of certain of his discretionary powers—and I emphasize the word "certain"—is far from satisfactory; for, after all, it is only an advisory board and is restricted to advise on certain of his discretionary powers. The minister also referred to the fact that the board was being instructed to explore carefully the possibility of reducing the number of discretions now vested in the minister. Instead of having them review the matter, I would suggest to the minister that he have them all abolished.

While the savings portion of the income tax was abolished on July 1, 1944, the taxpayer who had an income over $3,000, in making his 1945 return, was still obliged to compute the savings portion and then deduct it. So far as the 1946 forms are concerned—I am referring to form T-7 B, which is the form used for individuals who make more than one payment a year, March, June, September and December—I find that they are still obliged to compute the amount of the savings portion. I would think at this late date that the income tax department would have been able to issue a new schedule of rates in which the savings portion of the tax would have been eliminated.

With reference to the change in the rates of income tax for 1947, I say to the minister that it is unfortunate these rates were not set to apply from July 1, 1946, because he will recall that when changes were made in income tax rates during the war years they applied for the then current year. The reduction he has made is small in view of the statement reported in the press to have been made by his colleague the Minister of National Revenue. Speaking at Pembroke in the spring, he was reported in the press across Canada to have stated or suggested that there would be a reduction of fifty per cent in income tax. If the minister was misquoted I have never seen any denial in the papers.

Mr. McCANN: May I make that denial now, Mr. Speaker? I never made any such statement, and the hon. member knows it.

Mr. HOMUTH: That is after the budget.

Mr. WHITE (Hastings-Peterborough): I can only say that the Minister of National Revenue has a very fine press agent, because the statement was displayed on the front page of every newspaper across Canada, and the minister must have seen it.

Mr. McCANN: On a question of privilege, this statement has been made on several occasions by hon. members, particularly the hon. member for Lake Centre (Mr. Diefenbaker) and the leader of the opposition (Mr. Bracken). I did not speak in Pembroke; I did speak in Renfrew on March 11, and I am not responsible for the headlines; they are written by somebody else. The statement which I did make, and which is reported correctly in the Ottawa *Journal* of Tuesday, March 12, is as follows. I said:

> I have no doubt that when parliament meets announcement will be made about bringing down the budget. We have reason to hope that the budget will be sharply reduced. I cannot say how much it will be reduced although some of us hope we can cut our expenditures by fifty per cent. I think we can look forward over the year to decreased taxation but this will depend entirely on public opinion. In recent years there has been a growing demand for increased social services, this is a democracy and as such must conform to the views of the people at large. It is up to the people what scale of taxation they wish. If social services are increased levels of taxation will naturally be higher than without these services.

There is nothing in the statement which I made, or in the speech which I made, that would justify the hon. member for Hastings-Peterborough (Mr. White) or other members who have spoken with reference to this matter crediting to me a statement such as he did, and a statement which I had not any occasion to make.

Mr. WHITE (Hastings-Peterborough): All I can say, Mr. Speaker, is that it is unfortunate the minister waited until after the budget and at this late day to make the correction.

In my opinion the income tax exemptions, which are now $750 and $1,500, are not sufficient. They should be at least $2,000 for a married person and $1,000 for a single person, with increased allowances for children. No one will dispute the statement that the cost of living has increased from 50 to 100 per cent over 1939; yet a married man with a family is permitted to deduct from his taxable income only $300 per child, while the amount allowed for the wife is also very small. During the war years the average taxpayer was quite prepared and willing to struggle along and pay these excessive taxes; but, now that the war is over, he is looking for some relief. He wants to be able to buy and enjoy some of the luxuries he was denied during the war years. The salaried taxpayers, often referred to as the white-collar class, have been under a decided hardship during the war, and the budget gives them little relief.

The minister has stated, or someone in his behalf has stated, that he needs this enormous income; but it has been very well pointed out by a number of other speakers in this debate that little if any attempt has been made to reduce controllable expenditures, despite the statement just made by the Minister of National Revenue that the government hopes some expenditures may be reduced fifty per cent. It would be interesting if the minister would indicate in the itemized expenditures which departments are being reduced to this extent. The postponement of the reduction until 1947 may have the further effect of reducing consumer goods. When one remembers the enormous production of clothing and mechanical equipment during the war years it is difficult for the average Canadian to understand just why he cannot buy anything he wishes for his home, why he cannot buy a new suit or a new shirt. It is true one can buy plenty of sport shirts at $5 or $10, but the ordinary white shirt just does not exist. Practically every householder is anxious to buy some type of electrical equipment for which he has been waiting for several years, but at present he has little chance or hope of purchasing an electric stove, a refrigerator or anything of that type. In the province of Ontario the hydro electric power commission has under way a large programme of extending rural lines, but the prospective consumer finds wiring material practically unobtainable, and he is simply out of luck if he tries to purchase electric labour-saving devices. I suggest that the minister review the whole situation, and that the reductions in the corporation tax, the income tax and the excess profits tax be made effective as of July 1, 1946.

In conclusion, Mr. Speaker, I intend to support the amendment moved by the hon. member for Muskoka-Ontario (Mr. Macdonnell), reading as follows:

This house regrets:

(1) That the budget does not provide for tax reductions in the calendar year 1946;

(2) That the budget gives no indication of any serious attempt to eliminate extravagance or effect economies in the cost of government;

(3) That the policies of the government are discouraging much needed production.

Mr. RONALD MOORE (Churchill): Mr. Speaker, I listened with interest as the Minister of Finance (Mr. Ilsley) presented his budget a few days ago. I think we were all impressed by the manner in which he gave the financial picture of the Canadian economy. All sections of the house recognized the effort he put into the preparation of his budget. While, however, we appreciate the sincerity of the minister in dealing with this subject, it was difficult for many of us to see the financial picture of this country in the same bright colours in which it was painted in his statement. It is true, of course, that one must not be too critical at a time when we are entering the reconversion period. The rehabilitation of our servicemen is in itself a problem which will require a great deal of effort and a major plan if our service people are to regain their rightful position in civilian life. The problem of reconversion is another task which will require a great deal of effort. The Minister of Reconstruction and Supply (Mr. Howe) has informed us that in a number of industries reconversion has been already completed, but there is still something to be done in this line and until it is completed we cannot consider ourselves on a truly peacetime basis.

This is the first peacetime budget we have experienced in some seven years, and I think it fair to say that the Canadian people were interested to learn what the government intended to do to meet some of the serious problems which have confronted our people for the past few years. I believe perhaps

the most serious problem with which our people are to-day confronted is that of housing. There can be no question but that the housing problem has put our people in a difficult position. I do not think it can be said that this problem has developed over the last few years. Housing has been a problem in Canada ever since 1930. We have a tremendous lack of housing due entirely to the fact that the people of Canada have not had at any time sufficient money with which to purchase homes for themselves. In this connection I should like to quote from a series of resolutions passed at a convention of the Canadian federation of mayors and municipalities, dealing with housing and related matters, held in the city of Winnipeg in 1938:

Whereas it is demonstrable that many thousands of Canadian families in the lower income groups, in both urban and rural areas, are to-day housed in sub-standard, unsafe and unsanitary dwellings . . .

And whereas the vicious environment of such areas counteracts and offsets the constructive influence of education, public health, social service and religion and contributes to vice, delinquency, dependency and excessive mortality and disease, so that sub-standard housing areas are a source of heavy and uneconomic government expenditures . . .

And whereas it can be shown that the basic reason for the existence of such condition lies in the sheer inability ot many Canadian families to pay the economic rent required for adequate and modern housing accommodation, irrespective of periods of prosperity or depression . . .

And the resolution goes on:

And whereas this aspect of the housing problem being of a universal nature has been and is being handled on a national scale in other countries . . .

Now therefore be it resolved that this conference of mayors petition the government of the Dominion of Canada to introduce without delay an adequately assisted plan, aimed specifically at the provision of housing at low costs and low rents.

That was in 1938, approximately a year and a half before world war II broke out. I am not going to say anything about the conditions which developed after the outbreak of war, because we all realize that the government was too busy with other things to deal with housing on a national scale at that time. But I will say that during the war years the condition did not get any better. It got worse, and to-day we are faced with a problem which cannot be described as anything short of a national emergency. In fact, to-day the housing situation is a national calamity, and I think the government should have taken some steps during the present session of this parliament to deal adequately with that situation.

It is certain a great many of us do not fully realize the shortage of houses that exists in this country to-day. According to the Curtis report, we are short 500,000 homes in this country, and in addition we have another 250,000 which require repair to a greater extent or lesser extent. Other authorities have told us that the veterans returning from Europe alone will need an additional 200,000 homes. This is a situation which calls for action on the part of the government. It is true, of course, that several acts of this parliament have been passed to deal with this situation. The National Housing Act was passed in the late thirties. I think it is fair to say that act has not been able to cope with the situation. It has not been able to solve this housing problem, for the very good reason that the people who do not have homes in this country are those people who do not get a sufficient amount of the national income to permit them to build homes.

A most peculiar situation exists, if one cares to compare the income tax statistics of the country with the housing situation. I have before me a copy of "Taxation Statistics", issued by the Department of National Revenue. According to this government publication, in 1945 there were about 1,340,000 people in Canada earning $1,800 a year or less. According to statistics issued by civic bodies in various cities throughout Canada, it requires approximately $150 a month for a family of five to live under decent conditions, and to maintain a decent standard of living. Obviously, if it requires in the neighbourhood of $1,800 a year for a family to live in decency in this country, and if the total income is only $1,800, they are not going to have sufficient money with which to build homes. That is the crux of the situation to-day.

I have heard many people complain that they have been unable to get assistance, either under the National Housing Act or under the Central Mortgage and Housing corporation, with which to buy homes, for the very good reason that their incomes were not high enough to enable them to take advantage of that legislation. This is particularly true in Manitoba. Many people have mentioned to me that because their yearly wage was in the neighbourhood of $1,600 they were not considered a safe bet on which to lend money for the construction of homes.

As we view these statistics we find that in Canada we are short approximately a million homes, either new construction or homes which should be repaired; and this is about the same number as the number of people who come within these lower income tax brackets.

I submit that if this housing problem is to be solved it can be solved only in one manner, and that is by the government

taking hold of the situation, the same as it did in the war years. During the war, if we required production for the army, the navy or the air force, the government simply estimated what was needed for the armed forces, acquired the raw materials and went ahead with the production. Early in the war the government found that they had to have additional plant and factory equipment in order to supply the materials of war. They did not consider how much money they had before they went ahead and built those plants. They simply acquired the materials, the man-power and the other essentials, and built the plants and factories required.

I submit the housing problem will not be solved unless we deal with it in a similar manner. This government should set up a crown company, if you like, to deal with the situation. The purpose of that company would be to produce in Canada the building materials necessary to build these homes. It might even be necessary for them to take over large sections of the forested areas of the country and erect sawmills so as to get the necessary lumber. In those areas of the country where it would not be efficient to build frame buildings, they could go into the production of brick and other materials for the building of homes.

The only difficult problem in this connection would be the production of plumbing equipment. Because of its dependence upon steel production, I admit it would be difficult to produce plumbing equipment in as short a space of time as it would be to produce these other commodities. However, the government should make a start on such a plan as soon as possible. So much for the housing situation.

There is something else which is going to be of some concern to the people of Canada in the very near future. I refer to the growing army of unemployed. The Department of Labour has issued some interesting statistics respecting unemployment in Canada. At present, according to the figures issued by the Department of Labour, we have approximately 210,000 unemployed people in this country. Out of a population of 12,000,000, it is possible that 210,000 unemployed may not be sufficient for us to say that we have an unemployment problem on our hands. But in all fairness I think we must also admit that when we are considering the condition of unemployment there are other factors which should be taken into consideration.

At the present time we have a six-year backlog in civilian production. According to the Department of Reconstruction, a large number of our industries have already been reconverted to peacetime conditions. Except for the odd strike, and for a shortage of materials in certain places, industry is going all-out to supply products used in civilian life. When this backlog has been overtaken, undoubtedly a number of our plants will shut down and men will be laid off.

The same is true with respect to our markets in Europe. We have sent vast sums of money to be invested in Europe, to enable those people to buy Canadian goods. I am not quarrelling with that; I believe it was the only plan to be followed under the circumstances. But we do not want to forget this, that the day is coming when Europe will be reconstructed, when her factories will be rebuilt and when she will be able to supply her own markets with those things she is now getting from Canada and the United States. When this situation obtains it will result in a further shutting down of Canadian factories and further unemployment of Canadian workmen. When such a situation does develop—and it might be within the life of this parliament—we are going to face an unemployment problem with which the government will have to deal.

Personally, I doubt very much if the unemployment problem of the future will be solved under our present economic system. I make that statement with a good many facts to substantiate it. Before the war began, a great deal of our unemployment was due to technological production in industry. We were applying more and more machinery to the production of goods. During the war years, an even greater advancement in technological production took place in the United States and Canada.

According to our war production board which investigated this situation in 1943, we are told that by the middle of this month in 1946, when our industries have been reconverted to peacetime conditions, 3,750 of our plants will have increased their productive capacity by some eighty-six per cent, with an employment of only thirty-three per cent more labour. Reducing those two factors to the same terms, this simply means that we enter the post-war world with plant and factory equipment capable of turning out the same goods which were turned out prior to the war, but with approximately forty per cent less labour.

So long as we can find a market for our production, we are all right; but just as soon as that market becomes restricted we are back again to where we were during the thirties. I venture to suggest that this government should act at the present time to decide what it is going to do to meet a situation of that kind.

I observed during the course of the debate that some hon. members to my right made the

statement that members of this group were forgetting their application of socialism to our present economy. In other words, they said that we were forgetting our socialist policy and were more or less dealing in Liberal terms. I do not think that statement is quite true. That may appear to them to be the case, but I think a little consideration of the subject will make our position quite clear.

It seems to me that at the present time we must try to get as good a deal as possible from the government for the workers and producers of this country. I am not saying that we are the only ones who are trying to do that, but I think that is the position which private members of parliament should take. Outside of that I do not think there is any solution of these problems under our present system. The Minister of Finance during his budget address told us that we had to have foreign markets in order to have prosperity in this country. That is true as long as we are going to operate under a system of private enterprise. But if we continue to operate under that system we shall end up with the conditions that existed in 1929 when foreign markets just did not exist.

How can every country in the world have foreign markets? The system worked splendidly in England when it first began the capitalist economy with the use of the steam engine. If the steam engine had stayed in England the system might have continued to work. European countries were importing English goods; but they were not satisfied with merely doing that; they began to import English steam engines. They built up their own capitalist systems and then they raised tariffs against English goods to preserve their markets. The system spread all over the world, until by 1929 we found that every country was trying to protect its home market for its own manufacturers by raising a tariff against all others.

Where is there a foreign market for goods at the present time except the market that is due entirely to war conditions? It simply does not exist. Prior to the outbreak of the war, the United States could produce automobiles for nearly five worlds the size of ours, while Canada could produce automobiles more than sufficient for her own market. Where did the foreign markets exist before the war for those things? They simply did not exist.

As I see it, the only solution of the unemployment problem, if there is one to be found, is government ownership of the means of production, distribution and exchange in this country.

[Mr. Moore.]

Mr. KUHL: How does that solve it?

Mr. MOORE: It will solve it by doing away with what has caused the situation. It is the profit motive in industry that has caused the situation.

Mr. HOMUTH: In other words, if you do not want cars they will not make them and sell them to the other workers?

Mr. MOORE: You may think that, but if you have another solution I am quite willing to listen to it. If anyone can tell me how he proposes to solve the unemployment problem I shall be only too glad to listen to him. But I think it should be brought up in this house because from 1930 to 1939 it was not solved and we are doing nothing at the present time to solve our unemployment problem. The things that caused unemployment in 1929 are with us to-day. As soon as we catch up with this backlog of demand for consumer goods we shall be back where we were. Our solution is government ownership of the principal means of production, distribution and exchange, and I make this suggestion in the interests of the Canadian people.

Some believe that that will lead to a dictatorship, but here is something I should like to see considered. Irrespective of what government is in power, the tendency is toward government ownership. We see that with our hon. friends across the way.

Mr. HOMUTH: We do not think they are a good government.

Mr. MOORE: I shall not pass an opinion on that. I shall go a little farther back, to 1935 when hon. gentlemen to my right were in power. They introduced legislation which was regarded as being socialistic, and I refer particularly to the Natural Products Marketing Act. I remember reading *Hansard* at that time and seeing that the Liberals who were in opposition were viciously attacking the government of that day for introducing socialistic measures. I venture to say that when it comes down to the final battle between capitalism and labour those who are now the government will side with the big interests. I hope I am wrong, but I think they will. When it comes to that day, then it will be the group to which I belong which will go into power.

There is something else that should be considered. All those who believe in socialism do not belong to the C.C.F. All those who think the C.C.F. may take power in this country do not belong to this movement. I should like to quote what was said by the premier of one of our provinces, a gentleman

who happens to be a Liberal premier and who expressed himself in no uncertain terms in connection with this matter. Here is what Premier S. S. Garson had to say with regard to the situation in the future when speaking before the Winnipeg board of trade on January 19, 1946, as reported in the Winnipeg *Free Press;* here is what he had to say about what might be done to solve our problems in the future:

> Canadian government and Canadian business are operating in a world environment in which in their own interests they must give a better account of themselves than they did in the 1930's. At that time we ineptly staggered through year after year of depression, only to finally achieve pseudo prosperity in war.
>
> If, in peace, we permit ourselves to descend again into depression, while the socialist states make progress toward prosperity, we shall have a hard time to convince the Canadian people that our system of free government and of free enterprise should not be replaced by some other form of government and some other arrangement for the production and distribution of goods and services.

That is the opinion of the premier of Manitoba with respect to this matter, and that is the opinion of a great many other people who are not associated with the movement to which I belong.

I should like to say a word in connection with the dominion-provincial conference. We had several sessions of that conference but they all ended in failure. I do not blame the government for this, because I think they did nearly all they could to make it a success. Nevertheless the problems it was fondly hoped would be dealt with by that conference are still with us. Allow me to deal with just one of those problems, that of labour.

We have a serious labour situation in Canada to-day, due partly to conditions arising out of the war and partly to the fact that we have a federal versus provincial problem in this country. One of the greatest problems confronting labour is due to the fact that there are nine different governments in Canada each controlling its own local labour situation. I submit that the government should seek amendments to the British North America Act so that we could have a national labour code.

The British North America Act was drawn up to meet the needs of a much less complex society than that in which we are living to-day. Great as were the fathers of confederation, in 1867 they could not foresee the needs of the Canadian people in 1946. I think the present government should do all in its power to seek amendments to the British North America Act. One of the first amendments should be the power to establish in this country a national labour code. I am not going to be dogmatic as to what the provisions of that code are to be, but a number of labour unions have informed me that they would be quite satisfied to accept P.C. 1003 as the basis of a national labour code. It is true, all labour unions are not quite satisfied with the provisions laid down in these regulations, but if they were accepted as the basis of a federal labour code the various labour unions and the government could get together and make it more acceptable to labour in the future. That is they could make amendments to the national labour code from time to time.

One other thing I should like to deal with before closing is in connection with agriculture. Our economy in western Canada is based very largely on agriculture. The war has done a great deal to bring Canadian agriculture to the position which it ought to occupy in our economy. I think it is fair to say that for the first time in the history of Canadian agriculture it has been accorded its rightful position as a national industry. It is the first time that those engaged in farming have received a fair share of the nation's income. If we want proof of that statement we have only to compare the income tax returns of 1935 with those of 1943. In 1935, according to the returns, only 416 farmers in the whole dominion paid income tax and the amount they paid was $24,083. But what a different picture the income tax returns for 1943 show. There is a little difference as far as the rate of taxation goes between 1935 and 1943, but the difference in the amount of tax collected is so great that I think it illustrates my point quite clearly. In 1943, going all out to supply a war-ballasted economy, Canadian farmers paid income tax to the tune of $440,212, just under 4,000 farmers paying taxes. It is particularly significant to note the position of Saskatchewan with respect to the payment of income tax in 1943. As I have already stated, in that year the farmers of Canada paid $440,212 to the federal treasury by way of income tax, and Saskatchewan alone paid $215,835, or almost half of this amount. This is a marked improvement over the conditions which existed during the thirties, when you could count on the five fingers of one hand every farmer who paid income tax in the western provinces.

Permit me to deal for a few minutes with income tax as it applies to agriculture. The Canadian farmer has felt during the last few years that he has been unfairly taxed on his farm production, and there is some reason for his assumption in that regard. The producing unit in western Canada is the farm, but the number of people employed in one farm includes more than the head of the household; there may be two, three or four persons work-

ing on that farm, and yet the farmer's income is assessed as if it were the income of one individual earning and paying the tax. This has caused considerable concern in the west.

There is another thing which should be gone into. I believe that the income tax branch should attempt to devise a different tax system, one which would apply to Canadian agriculture. At the present time grains are the largest production in western Canada; but the farmer finds, after producing his grain, that his income tax is up to a certain level and, if he accedes to the request of the government to produce such extra products as butter, eggs, live stock and poultry, his income is so increased that he is placed in another income tax bracket, so that when he weighs his additional labour against his very much increased income tax he is reluctant to produce these extra commodities. Of course it will be difficult to devise a system of income tax which could be fairly applied to agriculture, but if the government wishes to get this extra production of such farm commodities as I have mentioned it should exempt these things from taxation, at least for the time being.

As has been said, the economy of western Canada is based upon agriculture. There is practically nothing else to which the people of western Canada can turn. According to the dominion bureau of statistics in 1943 67·5 per cent of the people of Saskatchewan, 42·1 per cent of the people of Alberta, and 56·1 per cent of the people of Manitoba were engaged in agriculture. If you average these three you will find that 55·2 per cent of the population of the prairies are so employed. In addition to this, some 13·5 per cent of the population of the prairie provinces are engaged in transportation and trade. This latter group is certain to be affected by any recession in the agricultural industry. In other words, 68·7 of our population in the prairie provinces is dependent to a large extent upon the success of the farmer. There can be little question that the reason for this situation is the rapid development in western Canada after the completion of the first railroad, some seventy years ago. In fact, it was the great farming possibilities of this area which brought about this settlement. The experiences of the past have been such that we should realize the futility of basing the economy of any one section of this country upon a single industry. Western Canadians are anxious to see something done to bring about the decentralization of Canadian industry by the construction of industrial plants throughout the prairie provinces.

[Mr. Moore.]

The same situation which confronts western Canada also faces the maritimes. The maritime provinces of Canada are largely agricultural. Figures which I have also procured from the dominion bureau of statistics show that the number of people engaged in agriculture in Prince Edward Island is 62·7 per cent; in Nova Scotia, 24 per cent, and in New Brunswick, 34·5 per cent. Averaging the three, we have 40·4 per cent of the population of the maritimes engaged in farming. I have mentioned the maritimes because it seems to me that they suffer from much the same economic circumstances as do we in western Canada.

I know that when you talk about building industries in these sections of the country which are not so well developed as the old provinces of Ontario and Quebec the problem immediately arises, where are you going to get the money; who is going to provide it? I am willing to admit that in the past that was quite a problem. It was so because we were a debtor country. Vast sums of money were invested in this country from Great Britain and the United States. The Canadian National Railways is one example, and our great mining industry is another. But since the war I do not think it can be described as so much of a problem as it was before the war. Canada to-day is lending large sums of money to other countries. I think it would be a good plan if we decided to develop western Canada and the maritimes by investing in these provinces a certain proportion of the amount of money we are lending abroad.

By doing that we would be creating a market right at home for a small quantity of our production. I submit that if private enterprise fails in the future, as it has failed in the past, to accomplish this long overdue task, the government must go ahead and build industries in those provinces and operate them as public enterprises.

The other day an hon. member, I forget who it was, quoted figures from the James report, which stated that the government would have to provide for an expenditure of over $1,500 million a year to provide full employment in this country. I am not going to deal with that, but I think the government ought to reveal as soon as possible what they intend to do to maintain full employment in Canada. This is the time to do it. We do not have a large army of unemployed at the present time, but we should have our plans formulated whereby we shall meet this problem when it does arise, which may be before the present administration concludes its term of office.

Hon. BROOKE CLAXTON (Minister of National Health and Welfare): Earlier to-night we had a speech from the hon. member

for Hastings-Peterborough (Mr. White) which was similar in its main lines to speeches given by a number of members of the Progressive Conservative party. It was similar in that it described a condition in Canada which was gloomy and hopeless, which verged on a description of blue ruin, which spoke of scarcity, of taxes and of everything else that was harmful and sad, and which made me wonder, as I heard those speeches, what country those hon. gentlemen were talking about. Was it Canada, or was it some other country?

I ask this house and the people who follow the proceedings in the house to ask themselves, when they hear such criticisms of our country and of the conduct of its affairs: Is this true of Canada? Are they talking about Canada? Because my impression, from knowing something about conditions here, and something about conditions in other countries throughout the world, is that at the present moment there is no country in all the world where I would rather live than in Canada.

Mr. HOMUTH: Comparisons are odorous at any time.

Mr. CLAXTON: We are quite willing to stand comparison with any country in any respect. I would like to recall to hon. members the circumstances in which the budget was brought down. It was brought down on June 27. There was a delay of some days while other business was proceeded with, and in that interval two very significant things happened. Hon. members will agree that one way to test the strength of a country, economically and financially, is to see how its dollar or its money stands up in the markets of the world. During that interval an event of major importance happened, and that is that for the first time since 1939 the Canadian dollar was put at par with the United States dollar. This single fact showed, as does the whole state of our economy to-day, that with the single exception of possibly Switzerland, our Canadian money is the equal or the better of the money of any other country anywhere in the world.

Mr. HOMUTH: Is it at par to-day in New York and Buffalo?

Mr. CLAXTON: Is it not? The second event which happened during that interval was that the price control in the United States ceased to operate. At that time I was spending two or three days a week in New York attending sessions, first, of the economic and social council of the united nations, and, then, of the international health conference. As I travelled backward and forward from New York to Ottawa and from Ottawa to New York, I was in the unique position of being able to appreciate the effect of different methods of price control and, later, of no price control, in dollars and cents. To-day, in consequence of the removal of controls, it is estimated that their prices have advanced by twenty-two per cent since price control was removed some ten days ago; that is assuming that estimate to be correct, by an amount which is equivalent to the total amount by which our own price level has advanced since price control was introduced back in 1941—much more, the Minister of Finance (Mr. Ilsley) says. That, I think, indicates to hon. members and to the people throughout the country something of the value of the administration which we have had in Canada during that time.

These economic policies did not come about suddenly. It was an action of the government of Canada supported by the Canadian people, but under the leadership of the Minister of Finance, whose record in the field of public finance is unequalled anywhere to-day. And it was under the leadership of the present Prime Minister (Mr. Mackenzie King) and of his administration.

At those conferences which I attended to represent the government I met the representatives of other countries, as have many other hon. members, and I think they will agree with me that as we move around and meet the representatives of other countries at such conferences or elsewhere we find them constantly amazed at the miracle of the way in which Canada's economy has been conducted during the war—amazed and full of admiration, admiration not only of the government and of the experts who advise the government but of the people of Canada who have so stoutly supported the administration—

Mr. HOMUTH: And shown such tolerance.

Mr. CLAXTON: —and shown such appreciation and good judgment.

With these preliminary remarks I should like for a moment to survey the scene in Canada, with sober good sense, against the sombre background of a world convulsed by war. We must, in considering our own position, regard it at this time in relation to the whole world situation, and we must also recognize that after six years of war it is not possible to reconvert and recover completely in nine months.

In making the statements which will follow, I do so on the best statistical information available to me, and I believe I can support

every one of them. However, I will make those statements boldly and baldly, and I think they will stand in contrast with the statements made by the members of the Progressive party and other parties in the house who have taken such a gloomy view.

Mr. COLDWELL: You mean the Progressive Conservative party.

Mr. CLAXTON: Of course, the Progressive Conservative party; I am sorry. As far as possible I should like hon. members to allow me to finish these statements and afterwards I hope to substantiate them as far as there is time.

1. The production of peacetime goods in Canada is at an all-time high.

2. We are employing 629,000 more people than in 1939, more people than ever before in peace time.

3. The Canadian farmers and wage-earners are getting more money than ever before in peace time.

4. We have to-day the highest production, the highest employment and the highest national income we ever had in Canada in peace time.

5. The savings of individual Canadians have tripled since 1939 and are at an all-time high. On the other side, debts shown by thirty lending companies alone have been reduced from $169 million to $66 million between the years 1937 and 1945, and it is estimated that during the last six years the total farm debt has been reduced by something over $400 million.

Mr. HANSELL: How about the national debt?

Mr. GARDINER: The hon. member is still playing poker.

Mr. CLAXTON: Then 6. The ratio of net debt charges to the national income has increased since 1938 less than the United States or in the United Kingdom. I think this is one of the most objective and important evidences of the excellent way in which the economy has been managed.

7. The rates of cuts in taxes from their wartime high are greater in Canada than in the United States, the United Kingdom, Australia or New Zealand.

8. Tax exemptions in Canada are higher for both single and married taxpayers than in the countries where they have labour governments, higher than in the United Kingdom, higher than in Australia, even after the cut announced Friday, or in New Zealand; they are also higher than in the United States, and with the further exemptions which will be made effective from January 1, 1947, they will be very much higher than in those countries.

Mrs. STRUM: May I ask a question?

Mr. CLAXTON: I ask not to be interrupted just now, if the hon. member does not mind until later.

9. Prices have been more effectively controlled than in any country.

10. Canadian money is as strong as that of any country which fought in the war.

11. The Canadian government has fewer civil servants per capita than the governments of either the United Kingdom or the United States.

12. Repatriation and demobilization have proceeded expeditiously and smoothly, more rapidly, more smoothly and more successfully than, I believe, any one in Canada ever anticipated would be possible.

13. Canada's veterans' legislation leads the world.

14. Canada's work in international co-operation has given her a reputation second to no country in the field.

15. Never before has Canada's reputation for sound progressive government and for successful management of her economy stood so high among other nations.

I shall now be glad if the hon. member for Qu'Appelle (Mrs. Strum) would put the question she wanted to put to me before.

Mrs. STRUM: I decided to put it in my speech.

Mr. CLAXTON: This is a statement of the facts which we should bear in mind in considering the budget and in considering the position of Canada. It should not be thought for a moment that, because we are in so favourable a position, everything is going to go swimmingly for us. We have managed to achieve that position only because we have had a policy throughout the war of paying for as much as we could as we went along and of keeping up the value of our money. We shall continue to enjoy that position only if we continue to have similarly sound policies.

Broadly speaking, there are three conditions for prosperity in Canada. The first is a satisfactory arrangement with the provinces; the second, cooperation between labour and management with government so that we can keep on working and maintain and increase production; and third, the establishment of conditions abroad in which trade can be restored and expanded on a two-way paying basis. Provided that these three conditions

are satisfied, we can look forward to the future of Canada with confidence, based on the experience we have had in the past.

In the amendments proposed by the Progressive Conservative party and by the C.C.F. party there are some points on which I should like to make brief observations in so far as time permits. The Progressive Conservative amendment regretted first:

That the budget does not provide for tax reductions in the calendar year 1946.

There we have a revealing statement by the hon. member for Muskoka-Ontario (Mr. Macdonnell). Referring to the proposed tax reductions he said, as reported at page 3213 of *Hansard*:

And, indeed the individual taxpayer will not find any change in his situation until he begins to make out his tax return early in 1948.

The hon. member for Muskoka-Ontario makes it plain that he is thinking of just one class of taxpayers, the smallest class in number, namely, the class who make out their returns and pay their taxes at the end of the fiscal year, and not the great class of taxpayers who have the cut now in force through this year, 1946, month by month, week by week, as they pay their tax in instalments and who recognize that there has been a cut of sixteen per cent.

Mr. FLEMING: Do they not all make out their returns in the spring.

Mr. CLAXTON: They appreciate it now.

Mr. ABBOTT: And they get and appreciate the reduction now.

Mr. CLAXTON: Hon. members may look at the figures which I would give in detail if I had the time. As I have said, the tax reductions from the wartime peak already in force in Canada are greater than those in the United Kingdom, Australia, New Zealand, or the United States.

I come to the next point in the amendment:

That the budget gives no indication of any serious attempt to eliminate extravagance or effect economies in the cost of government.

An hon. MEMBER: We agree with that.

Mr. CLAXTON: The hon. member is agreeing with himself. I am reading his amendment.

In his fine speech on Friday the Minister of National Defence (Mr. Abbott) showed the house the full range of expenditures over which this or any other government would have control at the present time. It came down to a figure of $62 million more than the expenditures in 1939. That is the increase in the controllable expenditures on which this great cry of economy can operate. I think I can speak for every member of the government when I say that we are continuously alive to the need for economy. Over the past year the Minister of Finance has been supported in his efforts, which I can assure the house have been strong, to secure the application of the most rigid standards of economy in every department.

In that connection, I should like to deal for a moment with the situation concerning the civil service of Canada. The hon. member for Muskoka-Ontario quoted a figure of 150,000 civil servants, and then said there had been a reduction of only some 900 from that peak figure. I am not at all sure how his figure of 150,000 is made up. The figure given by the Minister of Trade and Commerce (Mr. MacKinnon), in reply to a question in this house on May 6 of this year, was 116,362, but obviously there must be some explanation for the discrepancy, and I assume the figure of 150,000 may be correct.

Mr. FLEMING: It was taken from a government return.

Mr. CLAXTON: Apparently there were two returns covering two answers to two sets of questions, which differed because of the way the questions were put—the returns are responsive to the questions. The figure of 150,000 is, I assume, larger than the figure of 116,362, because it includes employees of government agencies and also a considerable number of casual employees. Certainly in the case of the Department of National Health and Welfare, with which I am familiar, it includes all casual employees. Assuming the figure to be 150,000, let us, for purposes of comparison, contrast it with the figures for civil servants in other comparable countries. In the United Kingdom, for example, a command paper handed down in June, 1946, gave the strength of the civil service, as of April 1, 1946, at 695,950, and contrasted it with the picture for the same group of employees as at January 1, 1946. Those figures showed an increase of some 5,000 employees during that time, with an increase in every civil department with the exception of three, and it was explained in the return that these increases came about because the government was beginning to get back to normal conditions; they were having to restore peacetime services and make up the differences caused by six years of war. The United States figures showed a total of 2,961,000, or an even larger per capita number of civil servants. The figure for federal government civil servants alone in the United States was 2·12 per hundred of population, whereas the English figure was 1·53 and the Canadian figure,

assuming a civil service of 150,000, would be 1·24. In other words, on the basis of the figures I have given, the Canadian figure was considerably lower than either the English or United States figures on a per capita basis. One would expect that a country whose density of population is much less than that of either the United Kingdom or the United States would need more civil servants to maintain its services; yet the differences are as I have described them to be.

In talking about economies as applied to the civil service, it would be interesting to learn from hon. gentlemen opposite who have been so critical whether they regard the rates of pay of civil servants as too high. My impression, and certainly every criticism I get, is that they are too low, not possibly in every range but as a general picture. I can assure hon. members that for every suggestion I have ever heard that the rates are too high I have heard a thousand that they are too low; and I must say I think every minister has been subjected to the most continuous pressure to increase the rates of pay. We now come to the second element. Are there too many of them? There may be in certain departments, and it requires some time in a large organization to make changes as we turn from a wartime to a peacetime basis. My experience is that a considerable group of civil servants are overworked, and that there is considerable understaffing in some departments. I do not know of any case where the opposite is true and where the situation when brought to the attention of responsible officers is not dealt with as promptly as is possible. Hon. gentlemen may be surprised to learn that at the present time there is a shortage of stenographers, trained clerks, statisticians, economists and almost every other kind of trained worker that one would want in a government service. So that there is no difficulty about transfers or anything of the kind. There just are not enough qualified people available to do the jobs that have to be done at this time.

If I am right in what I say about wages and about the size of the staff, the only thing left which may be cut is whether or not we are giving more services than the people of Canada want and are willing to pay for. That is the only other element in the picture. My experience, as I have handled estimates on two occasions and have heard other ministers handle them for some years, is that you never receive a suggestion that you cut down a service. It is rather the reverse. From one hon. member opposite after another you get suggestions for this additional service and that additional service; for more social security and more things that cost money in quantities totally beyond the most extreme suggestions of any savings that could be effected. That is the sort of thing which sometimes leads one to become a little irritated, perhaps, in the face of this constant talk about extravagance, without any particularization that can be supported, while all the time we are faced with additional demands for additional services, not only from every part of the house but from every part of the country.

Mr. BLACKMORE: It does not come from this corner.

Mr. CLAXTON: Oh, doesn't it? I'll say it does.

Mr. BLACKMORE: But we show you how to pay for it.

Mr. CLAXTON: From that corner we have had suggestions for additional old age pensions that would cost $850,000,000 a year.

Mr. BLACKMORE: Yes, but we show you how to pay for them.

Mr. CLAXTON: Not to the satisfaction of anyone in this or any other country. That is the situation in regard to the civil service. Then we get on to the other things, such as the purchase of materials. I have not heard any hon. member opposite or any people throughout Canada say the federal government pays too much for materials or for supplies or for office space. On all sides I hear criticism that we are too tough a bargainer, so much so that sometimes we are charged with being unfair. I can assure the house that the requests for concessions being made here, or being made there, come just as often from hon. members opposite as they do from members of this party—and probably a good deal more often. That is, I think, a just appreciation of the situation.

Yet we have suggestions that there should be cuts here and cuts there, without any specification; and then at the same time increased demands for social services. We are told we should stop deficit financing—a point made at great length by the hon. member for Muskoka-Ontario. How could we stop deficit financing if at the same time we carried out his suggestions for increased reductions in taxes, and increased interest rates? Why, he would get us into a spiral there that works out exactly the opposite.

Suggestions involving additional expenditures which have been made in the house are being totalled by the Minister of National Defence (Mr. Abbott); he says he has someone working on it. Additional expenditures suggested by hon. members of the Progressive Conservative party alone, during this session,

would total far more than the largest possible sum that anyone could possibly raise by additional taxation at this time—and that would be just keeping the deficit where it is.

Mr. CASSELMAN: Could the Minister of National Health make a statement as to the requests which have been made to various ministers by members of his own party?

Mr. MACKENZIE: I can, for my department: it is an additional $50 million.

Mr. CLAXTON: I believe the hon. member for Grenville-Dundas (Mr. Casselman) was asking for the total of suggestions from hon. members in this party, as compared with those from the Progressive Conservative party.

Mr. MACKENZIE: Oh, I thought it was a request for information respecting additional expenditures suggested by the opposition.

Mr. CLAXTON: Now, as to this question of economy—and it is an important one. Of course it is. We must be eternally vigilant, and we look to hon. members in the opposition to assist us in that vigilance. We look to the public to assist and to support the government in cutting out every possible wasteful expenditure. Of course we must do that. And having done that, as we try to do, then also give us some support when we are faced with requests for things which would cost far more than any possible saving could effect.

With regard to an item in which I am directly interested, namely the administration of family allowances, we have just completed a year of that administration. Our estimates, made before we ever began operations, and based upon the best experience here and elsewhere in respect of similar operations, have been bettered in every respect.

In the last year I believe there have been just three criticisms in the House of Commons made with respect to the administration of family allowances, and I should like to say just a word in reply to each of those. The hon. member for Three Rivers (Mr. Gariepy), speaking on Friday, said that there have been some delays in attending to correspondence, and he suggested the establishment of an office in Three Rivers. We have considered the question of opening local offices; indeed that point was considered long before the administration was set up. It was felt it would be much wiser to try to administer the whole operation from offices located at provincial capitals. By and large this has worked successfully, as hon. members from all parts of the house in other debates have been good enough to testify. So far we have seen no reason to open a large number of local offices. It may be that, in one or two centres in Canada, we shall open inquiry offices, but we hope that those will be kept to a minimum.

The hon. member for York South (Mr. Cockeram), speaking on the same day, referred in critical terms to the fact that he had not been able to get information he wanted about family allowance administration, and added on this rather sweeping statement:

I find it difficult to get true and honest statements from the government on governmental expenditures.

The statement given by the Department of National Health and Welfare in reply to his question was completely accurate. It showed the cost of administration of family allowances to the department for the first six months of operation. It is completely in accord with the statement I later made in the house, and there is nothing about it to explain or to correct. In so far as this department is concerned, the hon. member's statement is not accurate. Figures on expenditures in connection with the operation of family allowances have been given by me in various forms in discussion of the estimates, when we gave the actual costs for the fiscal year. Also I gave estimates showing the cost to every department of the federal government of family allowance administration. We believe we shall keep well within those costs, and hope that hon. members will assist us in doing so.

The third point was made by the hon. member for Muskoka-Ontario, as reported at page 2981 of *Hansard* for June 27, where he made reference to a subject which had been discussed by the leader of the opposition (Mr. Bracken) when my estimates were before the committee. Reference was made to our estimate of $300,000 for investigation, where we had spent only $6,000 in the last fiscal year. The hon. member for Muskoka-Ontario was good enough to say that this was no doubt due to the fact that this was partly—"partly"; I draw attention to that word—a new expenditure.

Well, the word "partly" there is put no doubt in an effort to be fair. But I should explain to the house that the "partly" is just about one-fiftieth right. In other words, to the extent of forty-nine fiftieths, or more, this was a new expenditure. The expenditure of $6,000 made in the fiscal year 1945-46 was for one province, representing one-twentieth of the population for three months, or for one-quarter of the year. Therefore the amount of the expenditure of $6,000 or thereabouts was about, let us say, one-fiftieth, one-sixtieth, or perhaps one-eightieth of what would be required for the full year. And on that our estimate was based.

Mr. HACKETT: Depending upon the province?

Mr. CLAXTON: Depending upon what arrangements we are able to make with each province, as I have said several times.

Mr. HACKETT: Whether it would be one-fiftieth would depend upon the province involved.

Mr. CLAXTON: It was Nova Scotia. Those were the only three criticisms wa have had in the whole year respecting family allowances, and I hope we shall be able to give as good an account of ourselves in the year ahead.

Mr. FLEMING: Would the minister permit a question?

Mr. CLAXTON: Go ahead.

Mr. FLEMING: Could the minister give the house the amount required for the first three months of the present fiscal year out of the appropriation of $300,000 which he advocated?

Mr. ILSLEY: Ask that on the estimates.

Mr. CLAXTON: I shall be glad to answer that when the estimates are being considered. But it is very little more than at the rate I mentioned before, because of the difficulty of having arrangements established, as I have said.

There is one other matter I should like to mention before I close, and that is the speech made by the leader of the Progressive Conservative party over the network of the Canadian Broadcasting Corporation on July 10. In that speech he referred to the budget of this year, and then said:

> And in addition—
> we are being asked by the government—
> —to go into debt another thousand million dollars—what for? Not to buy things for ourselves—but—think of it—to pay for our own exports to ship away to other countries.

Mr. Speaker, if I may say so, this is a most extraordinary statement to come from the leader of the Progressive Conservative party. Does this mean that he is opposed to the credits to the United Kingdom and to the other countries to which we are lending money or advancing cerdits in order to enable them to establish themselves and put themselves back in a condition where they can buy our goods? If it means that, why was that statement made over the air when just five days before a bill to amend the Export Credits Insurance Act was introduced in this house and received the support of the Conservative party? The facts regarding export credits were given to the house, and that amendment, like the bill last year, was carried without division, with the full support of the Progressive Conservative party. Was that speech given to cast some reflection upon the use of money for this purpose? Was it intended to have some effect outside the house which could not be sought inside the house? It would be interesting indeed to have this statement fully explained in the light of the support given, by the hon. member for Muskoka-Ontario for example, and by others to this whole field of assistance by means of this legislation. Where does the Progressive Conservative party stand?

The leader of the opposition ends up with a statement about the dominion-provincial conference when he said:

> There are two dangers inherent in this method. The first is that it is a Balkanization procedure.

I should like to ask: Who is being coerced by this procedure? An offer has been made to the provinces. That offer is based on the original proposals first put before the provinces on August 9, 1945, discussed during four separate sittings of the dominion-provincial conference, worked over by the economic committee, discussed at the final sessions between April 29 and May 3, modified repeatedly to the advantage of the provinces and now put before them. Why was that done? It was essential that certain provinces at least know what they could expect. They were given this opportunity without coercion, without any Balkanizing.

I venture to say that it is a wider and broader proposal that even the leader of the opposition envisaged when he so stoutly fought for the province of Manitoba and for a general arrangement between the dominion and the provinces in 1941. I am sure the leader of the opposition would not object to the federal government agreeing with the province of Manitoba or any other province on those terms. If so, It would be most interesting indeed to find out on what terms. It is a remarkable thing that during all the time these proposals have been before the provinces and before the country there has not been any adverse criticism so far as we know by any federal party. The only alternative proposal put forward and seriously discussed at all was that put forward by the province of Ontario, the details and full weight of which we learned only two days before the conference adjourned.

As I said, I submit that there are three conditions which must be satisfied if the people of Canada are to have the prosperity I believe they could have. First, we must have a satisfactory arrangement with the provinces. Having worked hard at these dominion-provincial arrangements for three

years, like everyone else I hoped that it would be possible on the basis of these terms to arrive at an agreement which would be in the interests not only of the provinces and of the dominion but of the people of Canada as a whole. Here I should say a word in reply to the hon. member for Stanstead (Mr. Hackett). If there is anything unconstitutional in these arrangements, then it is strange because we have been paying subsidies to the provinces since 1867, and surely that is legal. Second, we have been working under a tax agreement similar to that proposed since 1941.

Mr. HACKETT: That was a war emergency.

Mr. ILSLEY: The war emergency has no bearing on the point made by the hon. gentleman.

Mr. CLAXTON: Is there any reason why a similar arrangement should not be continued by agreement if the parties are willing to agree? We have never failed to carry out any agreement that has been made with the provinces or with any country, and we believe we should be able to rely on them to do the same.

Second, I suggested that our prosperity depends upon the cooperation of management and labour with government in working out conditions under which it is possible to carry on work. Third, the prosperity of Canada depends, as we all know, upon our establishing through collaboration with other nations, conditions abroad under which we can have prosperity at home. Those conditions are not impossible; they depend on good will here and good will abroad. I believe that all hon. members, as well as all the people of Canada, above everything else want us to work together to construct out of the world in which we find ourselves that better world we know we can build.

On motion of Mr. Menary the debate was adjourned.

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

Tuesday, July 16, 1946

The house met at three o'clock.

VETERANS AFFAIRS

Nineteenth report of the special committee on veterans affairs.—Mr. Tucker.

CIVIL SERVICE

ENLISTMENTS IN ARMED FORCES—RETENTION OF SALARY AND SENIORITY

On the orders of the day:

Mr. F. E. LENNARD (Wentworth): I would like to ask the Secretary of State if the article appearing in the *Evening Journal* of July 9, to the effect that civil servants who resigned their positions to enlist in the armed forces are now all eligible to return to their positions without loss of salary or seniority, is correct.

Hon. PAUL MARTIN (Secretary of State): That matter is now under careful review.

OFFICIAL SECRETS ACT

PRINTING OF FINAL REPORT OF ROYAL COMMISSION

Right Hon. W. L. MACKENZIE KING (Prime Minister): I tabled yesterday the fourth and final report of the royal commission established to inquire into violations of the Official Secrets Act. I intended at the time to ask the house for permission to have copies of that report printed so that they might be distributed, and as there is likely to be a demand on the part of members for such copies I would move, seconded by the Minister of Justice (Mr. St. Laurent):

That 2,500 copies in the English language and 1,500 copies in the French language of the fourth and final report of the royal commission established by order in council P.C. 411 of February 5, 1946, laid on the table of the house yesterday, be printed forthwith, and that standing order 64 in relation thereto be suspended.

Motion agreed to.

IMMIGRATION

EXTENSION OF ADMISSIBLE CLASSES TO CERTAIN RELATIVES OF CANADIANS

On the orders of the day:

Mr. ALISTAIR STEWART (Winnipeg North): I wish to direct a question to the Minister of Mines and Resources. Under order in council 2071 listing additions to admissible classes under immigration regulations, what evidence must an orphan nephew or niece produce to show that his or her parents are dead?

Hon. J. A. GLEN (Minister of Mines and Resources): The hon. gentleman sent me a copy of the question. The requirement of the order in council was that there should be evidence of a document establishing the identity of the holder. I am informed that it would be impossible to lay down a firm procedure with regard to that. Each case will be considered in the light of the circumstances obtaining. The present state of Europe and

the destruction of official documents and records may make it hard for individual applicants to establsih their identity. The officers will be instructed to take whatever steps are necessary, either by way of affidavit or by the word of some relative, friend or someone in authority who knows the party, to establish the identity. Each case, of course, will depend very much on the circumstances.

Last week the hon. member for Trinity (Mr. Skey) asked me a question in regard to inspectional facilities which may be set up on the continent to deal with intending immigrants. One of the officers in London has been over in Paris dealing especially with the matter and he has now given me a report.

In my statement to the house on May 29 regarding changes made in the immigration regulations which extend the admissible classes to certain relatives of legal residents of Canada, I referred to the fact that owing to the shipping situation it would undoubtedly be the end of the present year before much accommodation would be available, and that inspectional facilities would be resumed in Europe as quickly as circumstances permit. As the immigration branch is being literally flooded with requests from residents of Canada for the immediate admission of their relatives overseas, I have concluded it would be proper to inform the house of the present situation and by this means assure those interested in the matter that the apparent delay in the movement of immigrants to Canada is unavoidable. There are two factors, both beyond the control of government, that determine when the immigrant movement will commence; they are: (1) shipping facilities and (2) travel conditions in Europe. Owing to the destruction of ocean tonnage during the war, there is an acute shortage of passenger vessels. Those operating to Canada from the United Kingdom are still bringing service personnel and their dependents, which means little accommodation will be available to the ordinary traveller for several months. There are, as yet, no passenger sailings from continental ports to Canada. In continental Europe travel from one country to another is still extremely difficult owing to lack of railway facilities and frontier controls; therefore a resumption of an immigrant movement under pre-war conditions from central European countries to ports of embarkation is not possible at this time.

The immigration branch has been conducting a survey of the situation with a view to reopening some inspectional points in northern Europe as quickly as possible. This involves consultation with the governments concerned, and appropriate action is being taken. Unless unforeseen difficulties develop, I hope that two or three months from the present, immigration inspectional facilities for the civil and medical examination of immigrants will be available.

The situation with regard to central and southeastern Europe is still obscure. I regret it is not yet possible to furnish a definite statement with regard to immigrants from central and southeastern Europe. Regular steamship services are not yet in operation and I have already mentioned the difficulties of inland travel. If it becomes possible for immigrants to move to northern embarkation ports as before the war, the immigration staffs in these areas will conduct the examinations and grant the visas. That is, of course, when inspectional facilities are set up. If this is not possible, some other solution to the problem must be found, this being dependent upon steamship routes and schedules as yet not in operation.

I fully appreciate the desire of residents of Canada for an early reunion with relatives in Europe and elsewhere who are eligible to come to this country, and I can assure the house that everything possible is being done to accomplish this without any unnecessary delay.

Mr. LOCKHART: May I ask the minister a supplementary question? In a compassionate case would the person from southern Europe be permitted to make the necessary arrangements through the London office if transportation could be secured?

Mr. GLEN: All I can say is that if the intending immigrant from Europe is able to get to London and have the medical inspection there, and if accommodation on vessels to this country can be obtained and the immigrant is admissible under the regulations, there will be no trouble.

Mr. HOMUTH: Have any representations been made to the Russian government with regard to immigrants from the Russian occupied zones who wish to come to Canada?

Mr. GLEN: That matter is not dealt with by the immigration department.

LABOUR CONDITIONS

BRITISH COLUMBIA HARD ROCK MINERS—APPOINTMENT OF MR. JUSTICE SLOAN AS COMMISSIONER

On the orders of the day:

Mr. WILLIAM IRVINE (Cariboo): I should like to direct a question to the Minister of Labour. Does the strike of the hard rock miners in British Columbia come under

the jurisdiction of the federal Department of Labour? If so, has a commissioner been appointed to replace Chief Justice Gordon Sloan who, I understand, has resigned?

Hon. HUMPHREY MITCHELL (Minister of Labour): My hon. friend's question is divided into two parts. One is whether the strike comes under the jurisdiction of the federal Department of Labour, and the other is whether an appointment is to be made to replace Mr. Justice Sloan. The answer to the first question is that Mr. Justice Sloan was appointed on the recommendation of the Hon. George Pearson, Minister of Labour of British Columbia, after failure on the part of the conciliation service to bring about a settlement of the strike. The answer to the second part of the question is no. I am hopeful that Mr. Justice Sloan will be able to continue, if we can give him some departmental assistance, in an effort to conciliate the dispute.

PALESTINE

REQUEST FOR STATEMENT AS TO CANADA'S ATTITUDE

On the orders of the day:

Mr. D. S. HARKNESS (Calgary East): I should like to direct a question to the Prime Minister. It arises out of a considerable number of telegrams which the hon. member for Calgary West and I have received in the past few days. Will the Prime Minister make a statement as to Canada's attitude toward the situation in Palestine?

Right Hon. W. L. MACKENZIE KING (Prime Minister): My hon. friend sent me a copy of his question, and I shall give him what I believe to be an appropriate reply. I do not believe that any useful purpose would be served by a statement on the situation in Palestine by the Canadian government at the present moment. Representatives of the United Kingdom cabinet, the foreign office, the colonial office and war office are discussing in London with representatives of the United States state department, war department and treasury, the recommendations recently submitted to the governments of the United Kingdom and the United States by the Anglo-American committee of inquiry which examined the problems of European Jewry and Palestine. The Canadian government hopes that the conversations now in progress will lead to a decision which will do justice to the various groups having a legitimate interest in Palestine.

My hon. friend will notice that I have placed emphasis on the present moment. I believe there are times and seasons for all things, but this I submit is not the moment, while these negotiations are on, for the government of Canada to take a particular part by way of making a statement such as the hon. member suggests.

SERVICE PERSONNEL

PASSAGE PRIORITY FOR DEPENDENTS

On the orders of the day:

Mr. F. E. LENNARD (Wentworth): I should like to direct a question to the Minister of National Defence. Is the recent press announcement from the office of the high commissioner in London correct, to the effect that passage priority for servicemen's dependents has been discontinued?

Hon. DOUGLAS ABBOTT (Minister of National Defence): I have not seen the press announcement referred to, but passage priority for servicemen's dependents has not been discontinued. The report may have arisen from the fact that the passage priority committee which existed in London, consisting of representatives of Canada House and the armed services, was discontinued on July 1, and the handling of priorities, so far as servicemen's dependents is concerned, rests with the service authorities.

The question of passage priority for what we refer to as non-entitled persons, namely, other relatives, fiancées and so on, is handled by a committee of the various shipping companies.

THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed from Monday, July 15, consideration of the motion of Right Hon. J. L. Ilsley (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Macdonnell, and the amendment to the amendment of Mr. MacInnis.

Mr. A. L. SMITH (Calgary West): Mr. Speaker, I had not intended taking part in the budget debate, but owing to incidents of the last few days I wish to discuss one subject, and one only, namely, that which was the occasion for your ruling of yesterday. May I express to you in your official capacity the greatest deference and respect, and in your private capacity a liking amounting almost to affection; but Your Honour forced me into the position of taking this opportunity of bringing to the attention of the house—I hate

superlatives—one of the most important situations that has confronted this country in my time; and I have lived a considerable number of years during many of which I have been able to read and write and have some small understanding of the problems of this country.

At the outset may I say that I shall make no criticism of anybody—capital, labour, or government. I deliberately choose this course, first because of the seriousness of the situation, and second that no one may allege, in derogation of what I have just said, that there is any political motive in the remarks I am now making. The steel strike in Canada must focus the attention of thinking men and women on the broad question of industrial relations. We have had many troubles recently. Some have been settled and some have not; but underlying all these I am sure it will be apparent to you, Mr. Speaker, and to all hon. members of this house that we cannot have that full employment without which there can be no high standard of living if peaceful industrial relations continue to be interrupted from time to time by strikes or lockouts. In the recent past we have been flying from one crisis to another. Finally we adopted the method of appointing controllers. That worked on two occasions, but on this occasion it has not worked. I am not for a moment going so far as to say these men in the steel business are striking against their government. Technically that may be right, but I know perfectly well that in their honest inner consciousness they are not aware that they are doing any such thing. I think no one with any breadth of view or any understanding can just sit back and say here is a pattern which has come from the United States. Others may say here are the communists, endeavouring to create difficulty here and there. These may be very self-satisfying things for some of us to say, but no one who is honest with himself can doubt that all this agitation and unrest result from some cause, and it is this. It is the natural and proper seeking of the persons generally classified as labour to improve their standard of living, their living conditions, and to obtain for themselves some luxuries and comforts. I know there are exceptions to that; there is no doubt about it. All strikes cannot be justified, nor can all lockouts. At the bottom, however, is an effort on the part of many of our citizens to improve their position and their condition.

I do not know how much thought many of us have given to it, but I am quite sure at least the Minister of Reconstruction and Supply (Mr. Howe) knows the extent to which the steel industry is the foundation underlying our economy. I am not a prophet of doom or ill or anything of the kind, but I do know that unless this thing is straightened out and a broader pattern set, while anyone's guess is as good as that of anyone else we do not need to peer far into the future to see our economy slowed down or perhaps brought to a standstill. It may be said that parliament is not the place in which these things should be dealt with. I disagree with that suggestion, for reasons which I shall give. It is not merely the fact that so many men are out in the steel industry. Nor does it do us much good to compare that number with the total number of workers in Canada, because I am quite sure most hon. members of this house, certainly those who come from industrialized areas, have already received telegrams and letters, as I have, though I do not live in an industrialized area, with respect to the present difficulty and its portent, and perhaps commenting gloomily upon its conclusion.

What is the situation in the steel industry to-day? In this I confine myself to the Stelco plant in the city of Hamilton. A few days ago an order in council was passed and tabled in this house. To-day, according to the newspapers, there are some 2,000 men in this plant and probably some 3,000 outside, those on strike being assisted in picketing by dissatisfied members of the typographical union and others. The gates through which the trains pass have been locked both from within and from without. An air strip has been constructed within the plant, and apparently they are going to call in the airborne troops, or at least the men in the plant will be supplied by air with the necessary food and clothing.

How can anyone here regard a situation like that without concern, where the least incident might touch off an explosion which would be the shame of Canada and I am sure the shame of everyone of us sitting here if we did not do all we could to see that it did not occur? That is the situation in Hamilton; and as we already know, if these things are prolonged they get worse before they get better. I hope the Minister of Reconstruction will correct me if I am wrong, but I have been credibly informed that he requires a considerable amount of coke from these steel plants to help keep the people of Ontario and Quebec warm this winter. I have heard that either he or Mr. Brunning has given the percentage that is required, but in any event we are told that coke is an urgent necessity in this province. What for? Not for manufacturing; not for turning the wheels of industry, but to keep the people warm, knowing as we do of the great shortage of fuel in the central provinces at the present time. I am also informed that if maintenance is not kept up, if these ovens are allowed to cool,

some destruction may result, and that in any event it will take approximately a week before they will be in condition to produce coke. Again I wish the Minister would correct me if I am wrong. He nods his head in assent. I say these things to you, sir, and to hon. members, not because I have any special information, but in the hope that you may join me —and I am serious about it—in a realization of the crisis we are facing.

Now I turn to the suggestion I intend to make, but I think first I should give some reason for that suggestion. I said at the outset that I had no criticism of anyone. I hope the Minister of Labour (Mr. Mitchell) particularly, and the government, will not regard this as being critical. It is a simple statement of fact—that in this instance, affecting as it does our whole economy, whatever measures we have taken have failed. I make that simple statement of fact, not for a moment criticizing the measures which were taken. From there where can we go? In my judgment the only place we can go is to parliament.

For some reason unknown to me I was chosen as chairman of a committee of members among whom I sit, and as such I have had the opportunity of talking to a good many labouring people. Whether their complaints be true or untrue, this runs pretty much through the piece, that under our present set-up they have been unable to meet those who can definitely settle their problems. I am making no comment whatever as to whether that be true or untrue; but I know they believe it. It is a conviction, just as real, whether it be true or whether it be not true.

My suggestion is this, that this house should immediately set up its industrial relations committee. To that committee should be invited—yea, brought, if necessary—those persons who might not like to come. I think I am not saying anything very unusual, because there, and only there, can meet the big three, so-called—the three important people, the consumer, labour, and management in industry. I am not suggesting that that committee will immediately settle the strike; but I am suggesting that it will devise machinery of procedure, backed by a statute passed by this parliament, not so much to settle strikes as to prevent them. That may be considered a criticism; the inference may be so regarded, but I trust it will not be taken in that way.

Then it seems to me to these people on strike, and those who are talking strike, such as the meat people, the railway people and so on, this parliament should say:—We have given you the last and best tribunal this Dominion of Canada knows. Come there with your problem. Meet your opponents face to face in the presence of that great referee, the consumer of Canada, as represented by members of parliament. And so may I say with a great deal of hope, and even more faith, that if we do something of the kind, certainly any union or any management which does not concur in that view will get very little sympathy from me. We have brought them to the place they have been asking for all this time. No one can do more. If they do not care to accept that, then I for one will question the motives they so loudly proclaim at the present time.

Sir, I close with this. The matter is extremely urgent. I have endeavoured to make a helpful suggestion. I have criticized no one. But unless some major step be taken I fear very much for coming months. And I know that with labour interruptions, lockouts or strikes, coming as they are in series, there can be no peace, no prosperity, no happiness in this country. Development of governmental action means this, if it means anything, that while years ago we had small responsibility, now the first business of government has become the happiness and contenment of its people.

With respect I make this humble suggestion, trusting that even though it be not concurred in by all, it will be considered in the spirit in which I have offered it, in the fervent hope, and with some faith, that it may bear fruit in bringing peace to industry in Canada.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, as the hon. member for Calgary West (Mr. Smith) will be the first to recognize, I have not had an opportunity to discuss with my colleagues the suggestion which he has made. But may I say at once that I would have no hesitancy at all in seconding the suggestion, and doing my utmost to have it carried out.

I have always taken the view with respect to industrial disputes that there were not two parties only, but that there were three. In fact, I have spoken of four, because to my mind the function of management is quite distinct from that of capital as a party in industry. But certainly industrial disputes do concern and affect more than capital, labour and management. They affect the community at large.

I believe I might go so far as to say the community in this instance is the entire Dominion of Canada. Perhaps I should not confine it to that, because I believe a serious strike, and particularly a strike in the iron

and steel industry, might have repercussions which would be felt in lands beyond Canada. Anything which will adversely affect transportation and which will occasion loss in production of those articles which the consumer needs might have a grave effect upon conditions in Europe as well as in Canada. Therefore I for one would strongly favour any measure which has in it the promise of bringing out the truth with respect to differences in industrial disputes. I hold strongly that an agency qualified to bring out exact information is the most effective instrument by which to attain that end.

Now, what I think the parties to industrial disputes, both labour and capital, should not forget is that neither of them can hope to achieve the end they have in view in production except for what the community does. To begin with, the community has the ultimate ownership of resources of the country—or should have. It has the ownership. It may part with it for good and sufficient reason. Private property has its justification in that unless opportunity is given to individuals to risk by investment what they have in the way of savings, but very little in comparison will be obtained in production. There is justification in the greater efficiency to production as effected in many instances under private direction compared with what would be effected under government control. I believe in government control and in government ownership in certain industries and at certain times, but, as I have said over and over again, there are times and seasons for all things, and I believe that in this country there is still a place for individual initiative and private enterprise, which in the interests of all may well be carried much further than it has been.

May I say, coming a step further, with respect to the position of the community in these matters, that if it were not for the community as represented by parliament and its enactments—and here I am in full accord with my hon. friend who has just spoken—there would not be the preservation of law and order; there would not be the rights controlled by patent that there are with respect to invention; there would not be the agencies of transportation and communication which have to obtain their charters from parliament; there would not be the facilities for export; there would not be the agencies to conduct diplomatic relations between one country and other countries; international commerce would not be carried out on the scale on which government alone makes it possible to be carried out; there would not be the vast industrial and commercial organization essential to trade, for the sale of commodities and the obtaining of raw materials. All these things and many more are made possible by what the community itself does as represented by its representatives in parliament and through the laws which they enact. The time has come when we cannot emphasize too strongly the rights of the community in all matters of this kind.

Also I do believe that publicity is a much more effective remedy than penalty in bringing about justice in the settlement of an industrial dispute. Justice, as Burke has said, is the common concern of mankind; and the one way in which justice can be made to prevail in any relationship is that it should be based on known facts, known conditions, and known circumstances. I believe that there is one court, a court which will ultimately settle these matters fairly, and that is the court of public opinion. But public opinion has to be informed. Up to the present such agencies as we have had for dealing with industrial disputes have been those that would serve or tend to serve that particular end. We enacted our Industrial Disputes Investigation Act in order that the parties to industry might have full opportunity to have their case or their side of the case fully presented to the public. I recall very well when there were not in this country any laws framed to that particular end, not so much as a conciliation act; and I also recall that the first step which was taken by government—that is, the federal government—in Canada was taken as far back, or perhaps I should say as recently, as the year 1900, when this parliament enacted the Conciliation Act and made provision for conciliation and mediation in industrial disputes. Conciliation, I believe, is the very essence of the process which is most needed in settling industrial difficulties. But when conciliation does not succeed and mediation does not succeed something further is required, and the great handmaid of conciliation and mediation is a process of investigation,—of investigation under methods contrived by the state to bring out the truth, if it is at all possible to secure it, and the maximum of truth in regard to the existing situation. The next forward step following that of conciliation and mediation under legislative enactment was the Industrial Disputes Investigation Act, which gave to both capital and labour opportunities to have their representatives on a board. But the main feature of that measure was that it provided also that the community should be represented on the board; and it had a further provision, a most important one,

namely that having regard to the large part which the community plays in serving the interests of the other parties, those other parties should refrain from disturbing the activities of the community or injuring the community until at least there has been an investigation and inquiry into the facts and the public fully informed.

Now, all these particular measures have been adopted and in this dispute applied up to a certain point. Recently another step has been taken in industrial disputes, which has been to appoint a controller either immediately after or before a dispute has developed into a strike or a lockout. This I believe is the first time that the government has appointed a controller a day or two in advance of the time at which a strike has actually taken place. I need not say that the government gave very careful consideration to that particular step. I am reminded by the Minister of Labour (Mr. Mitchell) that in the case of the packers' strike a controller was appointed before any strike took place. I think I was absent in Europe at the time that that appointment was made. At any rate I can say to the house, in connection with the present dispute that the government considered very carefully the wisdom of appointing a controller when we did, which was a day or two before the strike took place, or whether we should wait until after a strike had taken place. The case which was made out for the desirability of appointing a controller at the earliest moment was precisely that which has been put forward by the hon. member for Calgary West this afternoon. It was that a strike in the steel industry in Canada at this time, at this particular season, and with conditions what they are in this country and abroad, would be one of the most devastating happenings or might develop into one of the most devastating situations which it would be possible to imagine as growing out of an industrial dispute. The government decided to appoint a controller a day or two in advance of what it seemed would inevitably be a strike unless some further step was taken, and I believe we were right in so doing. That step was not taken without knowledge on the part of the administration that we would be told that we, the government of the day, were the ones who had the chief responsibility to see that the strike was ended. The government has responsibility for everything that affects the community, and we are prepared to take our full measure of responsibility for the step we have taken in that regard. I believe that had we not taken it, we would have been asked to-day why we had not appointed a controller a little in advance and given him the chance to exercise his good offices.

Now the controller has been appointed. There are also other agencies at work. I should hope that they will all continue earnestly to do what they can in helping to bring the parties to this dispute together and to effect a settlement. But I welcome and I am sure that this house as a whole will welcome the suggestion that a committee, composed of members of all parties in this house, should meet as soon as possible, bring before it the representatives of the parties to this dispute, and seek to get at the facts so that the public may be fully informed. Fortunately the industrial relations committee is already a standing committee of this house. Its chairman has been chosen. I have just been informed that the chairman is not in the house but that he is likely to be here at any moment; but if he should be absent from the city another chairman should be appointed. I for my part would suggest that before this afternoon is over steps be taken to have the committee on industrial relations called together at once, and that the committee arrange with the utmost expedition to have brought before it those who are the responsible leaders or representatives of labour and of capital and of the management of the industrial concerns affected, and that the committee be given powers of full investigation, under oath if so desired, of the whole situation, with a view to enlightening the Canadian people upon where responsibility for any continuance of the dispute most rests. I have no hesitation in saying that the Canadian people will wish justice done in this matter. They will also wish that the will of the people as a whole be respected over and above that of any party to a dispute.

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, the very fact that the Prime Minister (Mr. Mackenzie King) has intervened in this discussion is confirmation of the view expressed on this side of the house yesterday that the present situation in the steel industry in Hamilton and throughout the country is one of grave urgency. Like the hon. member for Calgary West (Mr. Smith) I had not intended to speak this afternoon, but the situation having developed as it has, I feel compelled to say something about it. Unlike the hon. member for Calgary West I shall in all probability be critical at times, but I shall give praise where I think praise is due. This is a time when we must face facts. If those facts involve criticisms, or if they are disagreeable to any particular person, that should not prevent us from stating them.

May I also comment on the suggestion made by the hon. member for Calgary West and concurred in by the Prime Minister. I too

accept that suggestion, but in the present circumstances it comes too late to deal with the situation that has developed. It is true that representatives of capital and labour could be called before a parliamentary committee; but bear in mind the fact that this dispute, which affects the steel industry particularly, is not a new dispute. Ever since last January we have known that a difficult situation was developing; and going back beyond that, we have known that the men in the steel mills at Sydney, Nova Scotia, felt they were discriminated against because their wage schedule was lower than that of men in the steel industry generally throughout Canada.

Mr. MacINNIS: Ever since 1943.

Mr. COLDWELL: Yes, since 1943. They have been waiting for three years to get a settlement, to get what they considered to be but elementary justice.

The Prime Minister spoke of capital taking risks. May I suggest to him that the welfare of the people should in no wise be dependent upon any corporation or any organization taking a risk. The welfare of the people is of too great concern, it seems to me, to be a matter of risk on the part of any individuals for the sake of private gain or private profit. There is, of course, when that occurs always another sort of urgency, the necessity of obviating that risk, and that sometimes leads to further injustice.

I should like to say a word about the rights of the community. I am in whole-hearted accord with the Prime Minister when he says that these disputes between labour and management go far beyond the two sides to the dispute, that to-day the community is so deeply involved that when a struggle develops between a giant industrial organization and a great trade union the community is immediately affected. It seems to me that one of the things we have to emphasize as members of parliament, no matter where we sit, and we should emphasize it here in parliament, is that there is a social responsibility upon the leadership of industry and upon the leadership of labour, and this social responsibility can be exercised only when those who are obligated to discharge it understand the direction in which they are going. One of the difficulties in all these labour disputes, and in modern labour disputes particularly, is that on one side you have capital thinking in terms of profit, the protection of the industry, the dividends that will accrue, and on the other side you have the men, who say that the urge on the part of the industry in which they are employed is not the welfare of all the community or of the people engaged in the industry but to a degree the matter of making private gain. It seems to me that that is a matter which parliament and the people must consider in relation to a subject such as this.

I think we all wish to see something done to prevent a recurrence of those unhappy labour disputes which arose after the first great war. As a westerner I have a vivid recollection of the Winnipeg strike of 1919. Yesterday I noted that one of the men, the late John Queen, who for over twenty years was a member of the Manitoba legislature and for seven years mayor of the city of Winnipeg had passed away. He was one of those who were arrested, and with three of his colleagues he was elected to the Manitoba legislature immediately after the strike, John Queen and two others being elected while they were in gaol. The leader of the movement for which I have the honour to speak this afternoon, the late J. S. Woodsworth, was himself arrested in connection with that strike. Passions ran high, and the men were condemned at the time, but let us not forget that in the years that immediately followed, four of the leading figures in that dispute were elected to the Manitoba legislature and continued to sit there for many years, while the late leader of this movement, who was also arrested at the time, found, as did one of his colleagues of that day, a seat in this parliament a few years later.

The steel industry is a focal point in post-war industrial relations, and because of its importance, unless this dispute is settled I believe the strike will spread to other industries and in a few weeks we may be in a much more difficult position than that in which we find ourselves to-day.

I regret exceedingly that when the men decided to walk out, their offer of cooperation to the steel company at Hamilton was not accepted, as similar offers I understand were accepted by the Algoma Steel company and by the steel company at Sydney, Nova Scotia. The men offered to cooperate in banking the fires and maintaining the industry in good shape so that when the dispute was settled production could be resumed immediately. What I most regret, if I may say so to the Minister of Labour, is this. The offer, I understand, was made to the controller, and the controller also ignored it. When offers of this kind are made in good faith, it indicates at least an attempt on the part of the men to come to an understanding and agreement. Groups of men to-day are no longer in the position in which they were years ago. They

will no longer accept with equanimity a refusal to take the proferred hand of assistance or of friendship.

I think it is greatly to be regretted that every conceivable method has been used not only to keep the plant in Hamilton operating but to take steps which are provocative to the men who have gone out on strike. According to the Montreal *Gazette* of to-day, the men who have remained in the plant and are working eight hours a day are in receipt of pay for twenty-four hours a day, and not only that; they are in receipt of a rate of wage ten cents an hour higher than their normal rate. If this be true, that in itself is provocative. We are told by the press that telephones have been installed for the convenience of the men who remain in the plant; that in addition to their wages they are receiving food and free cigarettes, and rumour has it that they are receiving free beer. They are there twenty-four hours a day. I do not say that they are getting beer twenty-four hours a day, because things would have been much worse than they are if that were true. I would ask the minister, when he speaks on this matter, as I presume he will, how these payments of wages and so on conform to the government regulations regarding wage rates. Surely this is a flagrant disregard of the rates of pay that have been approved. I suggest to the minister that section 44 of chapter 194 of the revised statutes of Ontario for 1937 forbids persons to eat and sleep and lodge in a factory or plant without special permission. Has such special permission been given? Who has applied for it? Was it applied for by the federal authority? If not, if the permission has not been granted, is the federal authority not condoning a violation of the laws of the province of Ontario?

We understand of course that the order has been issued to the controller to maintain maximum production, but immediately prior to this walkout, 2,000 of the workers in the Hamilton steel plant met in the Playhouse theatre and there the officials of the union gave a complete story of the negotiations over the last six months. I am not going to recount them, but I feel that the story of those negotiations shows undue delay. In addition to the trouble in the steel industry in Hamilton, there is other tension in that city. The united rubber workers of Firestone have been on strike for three weeks; the united electrical workers at the Westinghouse plant, and the typographical union employed by the local newspaper, the *Spectator,* have been out for some time. Hamilton has become as it were a strike centre, and that of course is bad not only for the city and that community but for the country.

I am going to say this to the Minister of Labour. The steel workers feel, rightly or wrongly, that the Department of Labour has not kept its pledges during these recent months, indeed these recent years, that the results of discussions have been unsatisfactory, and sometimes promises have been made that have not been carried out.

Mr. MITCHELL: Let us have the details.

Mr. COLDWELL: Yes; I have some details. I say, that is the information that the men give me. The government's reluctance, if I may mention this, to expedite the negotiations, and then of course the maintenance of the differential to which I referred a few moments ago as between Nova Scotia and the Ontario mills, are some of the factors. These are provocative of trouble, and now we have some of the trouble. The minister will remember that widespread wage spreads existed during the war between steel rates and those of the secondary industries—for example, the automobile industry. Many hon. members of this house were in steel mills during the war and saw the operations in those mills. They know that in many instances the heavy, hot work in a steel mill is one of the most exacting forms of labour that a man can undertake.

The minister asked me a few moments ago what the details were. Well, the present dispute was first discussed in January of this year.

Mr. MITCHELL: I may say to my hon. friend that they have never been before a regional board.

Mr. COLDWELL: Just a moment. Negotiations were opened at that time with the steel companies—Stelco, Algoma and Dosco. The delay here, was on the part of the companies. There was no immediate response from the companies, and now we shall touch upon some government responsibility. In April an increase in the price of steel was authorized to the extent of $5 a ton. A similar increase was authorized in the United States, but in the United States one of the conditions of agreeing to the increase was that the working force should receive an additional 18½ cents an hour in wages. No such commitment, however, was demanded from the steel companies in Canada.

Let me point out what the increase in the price of steel means. We are told by the steel companies themselves that their modern machinery and modern methods have enabled them to increase their output by four tons a week in the case of Stelco, 3¾ tons in the case of Algoma. In other words, at $5 per ton the increase would be $20 per week for Stelco and $18.75 for Algoma.

Mr. MITCHELL: Per man?

Mr. COLDWELL: Per man. The 19½ cents an hour demanded would mean this. They are working a forty-eight hour week, and on the basis of a forty-eight hour week, at 19½ cents an hour, there would be involved a wage increase of $9.36 a week, in other words, one-half of the amount represented by the increased output of steel at the increased rate that one man would produce in a week. What the workers are really asking is not quite fifty per cent of the increase that the government of Canada granted unreservedly the steel companies themselves in April of this year.

There have been repeated discussions with the deputy minister of labour. On June 11 Mr. Justice Roach was appointed commissioner under P.C. 4020, and here came one of the delays which I think is regrettable, a delay which I understand was caused because Mr. Justice Roach was overloaded with judicial duties. But no meeting of the parties was arranged until June 28, seventeen days after the appointment. May I add that it was long after the three plants had carried strike votes, not by small but by overwhelming majorities. At the beginning the Minister of Labour quite properly hoped that there would be one set of negotiations covering all three plants, but Stelco, the Hamilton concern, objected to that and wanted separate hearings. Their request was sustained. During these negotiations certain admissions were made which are to be found in the statement made by the companies. In particular a significant admission was obtained from the Algoma Steel corporation. Labour costs have actually decreased since 1939. From 1939 to 1945 its payroll increased 133 per cent. Part of the increase was due to higher wages, and part, of course, to the larger working force employed. In the same period, tonnage produced increased by 221 per cent, so that the labour costs per ton declined from $18 to $13. In this debate the hon. member for Cape Breton South (Mr. Gillis) gave other figures which confirm the statement which I have just placed on the record. This happened, of course, during a period when all costs increased, but prices of steel were also increased. In spite of the improved output per man, the government granted a further increase of $5 a ton in April of this year.

Mr. HOWE: May I correct my hon. friend there? The price of steel was frozen in 1941 and did not change until the recent increase of $5 a ton.

Mr. COLDWELL: I shall take that correction, but it does not affect my argument. If we examine the company's statements of this year we find that in every year except one their profits increased. The exception was between 1941 and 1942, and when I looked up the record I found that the obvious reason why the amount available for profits and dividends had decreased was that there was a large increase in the amount provided for their depreciation fund in that particular year.

An hon. MEMBER: A million dollars.

Mr. COLDWELL: Yes. Let us not forget that there have been other strikes and controllers have been appointed. These strikes have been settled. In the British Columbia strike which was settled recently, Chief Justice Sloan recommended an increase in wages all across the board, overtime after forty-four hours for six months of the year, and overtime after forty hours for the other six months of the year, this being a seasonal occupation. But in connection with the wage dispute in this industry, while some increases of fifteen cents an hour have been granted recently in other industries, the appointment of the controller—I will not say deliberately, but certainly unfortunately—coincided with the minister's statement in the house that increases of ten cents an hour were as much as our economy could permit. He told the house that that was the advice of his experts.

Mr. MITCHELL: Of those best able to judge.

Mr. COLDWELL: Yes.

Mr. MITCHELL: I have to take their advice.

Mr. COLDWELL: I should like to know just who they are, how they arrived at that figure, and why it was arrived at after larger increases had already been granted in other industries. That is material to the point.

I do not want to attack the companies, I have not been attacking them, but I am going to point out to the house that the history of Steel Company of Canada, of Hamilton, indicates clearly that throughout the years it has opposed every attempt at unionism. Whenever a union was in the process of formation it consistently endeavoured to break it up, and in most cases it was successful. It is a powerful company, making great profits and dividends. Its own statement shows that last year it made a net profit, after all taxes had been paid, of over $4 million. Let me again say to the government that that profit of over $4 million last year was made before the company was allowed to increase its price by $5 a ton. It is estimated that a minimum of $5 million may be added to the profits of

the company because of the price increase—I should not say the one company, but the steel industry, because of the increase granted. With the cost of living as high as it is, surely the union demand for a basic wage of $33.60 a week in this industry at this time, a forty-hour week and two weeks' vacation with pay, is justified. Indeed when we look at the government's own statements as to the necessary income to maintain a reasonable standard of living, this is low. That is all the workers are asking for, and when we recall that all during the war these men were toiling in that industry to turn out the steel for munitions of war—and they did it willingly all during these years—it is not unreasonable. They contributed out of their earnings to the victory loans campaigns; many of them and their sons were overseas, and they were promised that when the war was over Canada would become a country in which they would be given the opportunity to earn decent and adequate wages.

Before I close I wish to say one or two other things. I wish to speak for a moment about the order in council passed under the authority of the National Emergency Transitional Powers Act. This order, which has been emphasized in this dispute as it was not emphasized in former disputes—and because it was not emphasized it was not raised specifically—is in some respects even more drastic than the order of President Truman which the congress of the United States turned down almost as soon as it was announced. Let us look at it for a moment. Section 12 provides:

> Any person who (a) interferes with the exercise by the controller or any deputy controller of any of the powers, authorities and rights conferred upon him or (b) interferes with any employee or other person seeking to comply with the terms of this order or (c) counsels or procures any person to violate this order, shall be guilty of an offence and liable upon summary conviction to a fine not exceeding in the case of (a) five thousand dollars or imprisonment for a term not exceeding five years or to both such fine and such imprisonment, and in the case of (b) or (c) to a fine not exceeding five hundred dollars or imprisonment for a term not exceeding six months or to both such fine and such imprisonment.

That is a pretty strong penal clause, stronger than appears in most acts of parliament dealing with violations of our statutory law. To the average worker reading that penal clause it certainly looks as though the intention of orders in council of this description is to illegalize strikes altogether. In our democracy the strike in the final analysis is the only weapon the worker has. As long as labour is sold in the market place, as unfortunately it is, so long will it be that the only possible method of protest the worker has is to refuse to sell his labour. That is the strike. Under this order in council I think the penalties are excessive in the case of the worker. As far as a rich corporation is concerned, or a wealthy officer of a corporation, these penalties mean little. To the humble worker, however, they spell ruination; and I am told these penalties are being broadcast continuously over one or perhaps both of the Hamilton radio stations. It is true the Minister of Labour said yesterday this was to inform the men of what the penalties were; but has the minister thought also that in effect this is an intimidation?

Now may I refer to just one other point. The hon. member for Calgary West raised the question of supplies being taken into the Hamilton plant by plane. There is no landing field in that plant. I understand that a strip has been put down, and that surrounding this plant and the field on which the planes land are tall buildings so that landing is a hazardous undertaking. I believe the Minister of Reconstruction and Supply has certain authority. You cannot prevent a plane from landing, in an emergency, on a field where landing is hazardous, but it is the minister's duty to see to it that a practice is not made of landing on an unlicensed and hazardous field. I call upon him to use his authority to see to it that this hazardous plane landing is not used for the breaking of a legitimate strike.

Mr. HOWE: Will my hon. friend quote the legislation?

Mr. COLDWELL: I have not the legislation before me.

Mr. HOWE: I wish you would look it up.

Mr. COLDWELL: I will not say legislation, but you have regulations.

Mr. HOWE: A private flyer can land where he likes.

Mr. COLDWELL: But he must not make a practice of landing on an unlicensed field under hazardous conditions. Is that not correct?

Mr. HOWE: I have never seen that regulation.

Mr. COLDWELL: Have you no regulations about safety?

Mr. HOWE: We have.

Mr. COLDWELL: My advice comes from someone who looked it up for me this morning. I am not quoting the exact phraseology of the regulation, but I am giving a summary of its intent. I should be surprised if the

minister has not a regulation concerning matters of this sort. If not, it is time he had.

Mr. HOWE: In any event I suggest this is minor law breaking in view of what is involved at the present time in that dispute. Far more serious offences against the law are taking place.

Mr. COLDWELL: That may be so, but two wrongs do not make a right.

Mr. HOWE: We may as well clean them all up at the same time.

Mr. COLDWELL: I have said what I wanted to say, Mr. Speaker. I believe we as a parliament not only have to take cognizance of a situation of this kind but have to do what we can to amend it. I do not believe we shall have satisfactory labour conditions as long as we leave the two parties in industry to struggle along between themselves. I believe, with the Prime Minister, that the community, the third party, has some interest in this; and from time to time in this house some of my colleagues and I have suggested that the time has arrived when in order to deal with matters of the kind we should have a national board or committee—whatever you like to call it; in the final analysis it means the same thing—representative of organized labour as such, of the employing interests as such, and of the community as such. When I say it should be representative of the community I do not mean in any narrow sense, but I believe interests in the community such as the consumer and the farmer have to be taken into account. So I suggest to the Minister of Labour that he qualify the statement he made last week regarding the ten-cent an hour increase. I suggest to him and to the boards considering the matter of wages in dispute that if they examine the statements of these companies and the wages of the workers—

Mr. MITCHELL: May I say to my hon. friend that the board never had a chance to do that in this case.

Mr. COLDWELL: Why? Because the conciliator was appointed on June 11 and did not get in touch with the men until seventeen days later.

Mr. MITCHELL: May I say to my hon. friend that there is a concerted move across the country to go around these boards, and I used the new technique of appointing a commissioner in an endeavour to stabilize the situation. These boards were made up of just the people my hon. friend speaks of, nominated by labour and by the employers, with an impartial chairman.

Mr. COLDWELL: An impartial chairman?

Mr. MITCHELL: As far as my hon. friend and I could be impartial.

Mr. COLDWELL: Well, I am urging the minister to see to it that in view of the profits being made by these companies; in view of the fact that the government itself allowed them to increase the price of steel by $5 a ton, the wages of the workers be sufficient to maintain them and their families in ordinary decent circumstances, and that the hours of work and the necessary holidays for recuperation be granted to the workers as they have requested at this time.

Mr. MENARY: Mr. Speaker—

Mr. GAUTHIER (Portneuf): Monsieur l'Orateur—

Mr. SPEAKER: The hon. member for Portneuf (Mr. Gauthier).

Mr. JOHNSTON: On a point of order, if we are going to have a list, we should follow it. There are other hon. members who wish to speak.

Mr. MACKENZIE: It makes no difference to the debate. You are not controlling the debate. It is a debate on the budget.

Mr. PIERRE GAUTHIER (Portneuf) (Translation): Mr. Speaker, after listening to the three distinguished speakers who have addressed the house this afternoon, I feel doubly daring in rising after them and using one of the official languages, the French tongue, the noblest, the purest and the most delectable, even if it is not understood.

I shall add but one word on the very ticklish question of strikes. I followed with the greatest attention the previous speakers. They kept cool and refrained from resorting to unfortunate language. Allow me, however, to state my personal opinion. I do not believe, when a strike has been declared, that either the employers or the employees may benefit by the opening and the continuation of a debate on this matter, in view of the divergent convictions held by the various parties represented in this house. We should have greater confidence in those who are entrusted with the settlement of such disputes, in the hope that there is left a little humanity in the heart of employers and a great deal of common sense in the mind of workers. I understand that in the past, some hon. members have intervened on behalf of workers and sought to bring into line companies whose treatment of their employees lacked all trace

of humanity. To my mind, instead of making a great number of speeches on the present strike, we ought to devote our efforts to the enactment of fair legislation dealing with the settlement of these disputes. We should also trust the Minister of Labour now in office (Mr. Mitchell) who has shown that he has plenty of grit as well as a sound judgment and the other qualifications required from a minister of labour imbued with principles for which all good Canadians should stand. The meetings dealing with the adjustment of these disputes should be conducted by those who are called to handle the settlement of these strikes. Let us trust the workers, the employers, and the mediators appointed by the government; let us trust those who will be chosen to represent the communities, as previous speakers have urged, and I feel sure that if we leave well enough alone, refrain from adding fuel to fire and show reasonable understanding, strikes will disappear and we will not witness the continuation of what we might term a baseball game. When there are more "strikes" than are necessary to put a man out, it is to be feared that a continuation of such strikes will be detrimental to the country. I do not wish to enter upon a field in which I am particularly interested; I do not wish to have my utterances misunderstood and especially misinterpreted. However, the Minister of Labour has sounded a warning during the seamen's strike, and more than ever before we must be on the lookout and fight the spread of certain subversive ideas which thrive when feeling runs high as it does during strikes. I did not say anything about communism, but everyone knows what I mean.

I have listened carefully to the budget speech. Even when I was sitting opposite I never doubted the competence of the present keeper of the treasury. He has a degree of resistance and patience rarely seen in a public man. His work is a thankless task and I am sure that all hon. members will agree that he has the required patience to do his work without complaining.

The budget mentioned a tax on cooperatives. In my constituency there are fourteen cooperatives with a membership of 850, according to the report of the province of Quebec. I wonder how my electors will react to the new budget and particularly to the proposed tax on cooperatives. Following the request of our local cooperatives I wrote to the department asking them to be careful and not be too hard on cooperatives, but that if cooperatives are to be taxed the proposed tax should not endanger the cooperative movement, not only in my constituency, but in the whole province.

I understand that the federal treasurer, the Minister of Finance (Right Hon. Mr. Ilsley), followed the recommendations of the investigation commission on the taxation of cooperatives. As I told you, I shall await their reaction. I took part in the foundation of the cooperative movement and I would not like to see its efficiency and strength undermined by dangerous taxation. I have not been able to get a clear picture from the figures that have been quoted, but I hope that the cooperatives will not suffer too much. I would like to see them escape altogether. Particularly, I would not like to see the cooperative movement lessened in its scope, nor that the proposed taxation should prevent farmers, whether they produce milk, butter or cheese, or are engaged in horticulture, or ordinary or truck gardening, from being conscious of the strength or the efficiency of the cooperative movement. I am awaiting the reactions, before raising the matter again, should the directors of cooperatives find that there is a threat to the interests of that wonderful movement which has so much helped the farming community.

Another matter with which I am allowed to deal in the budget debate, has to do with those who were called and have answered the call issued under the National Resources Mobilization Act. Articles appear about them in many papers. Members discuss the subject and even include it in their speeches; the matter comes up in committees and is being dealt with by the civil service commission.

In my opinion, those who answered the call, who complied with the laws of their country should not be discriminated against by anyone. I understand that they did not enlist voluntarily, but it does not behoove me to pass on their present attitude or to search their motives at the time. To my mind, it is high time that we should stop treating them as outcasts, heaping opprobrium upon them, holding a sword of Damocles over their heads, and casting the word "zombie" in their faces when they request jobs. They should enjoy all the advantages to which volunteers are entitled.

I realize there is a difference; however, they have complied with the law of the land and I fail to see why they should be maintained in a situation of inferiority and, especially, why we should make them feel it more than is necessary.

I shall not ask for an amnesty for fear of irritating those of my colleagues who jump in their seats every time this word is uttered.

It seems to me, that the time has come for Canada to assume a rank equal to that of the other countries of the world, with the exception of Russia, whose place I do not envy for Canada. All political prisoners have been released in every country except Russia where democracy is of a special kind. Therefore, I see no reason why we should not pass a regulation, an act of parliament or an order in council for the purpose of rehabilitating those who are at variance with the Department of National Defence.

To my mind, this state of affairs has obtained long enough at a time when farmers have no help and timber operators have to do without lumbermen. Why not settle this point, instead of letting the farmer run the risk of leaving his crop on the field, as he has done before? And why expose the lumber operator to the risk of being unable to fulfil his contracts to supply the domestic or foreign markets, especially at this time when, in all countries, reconstruction is in full swing?

Speaking of reconstruction, I should like to comment briefly on a project which, though not originating in my constituency, has developed considerably in my locality since the war's end. The belief is held in my constituency, a belief which incidentally is shared by many municipal officials and members of the clergy, that the best way to foster the reconstruction of our economy, and to do so in the most efficient manner, is to interest young men in developing initiative, by helping them to build up strong healthy bodies and providing them with the required knowledge, even those who do not plan to take up long special courses leading to the professions.

It is a plan that is clearly taking shape in my own constituency and for which the government should provide in its reconstruction programme. Several municipalities are planning to establish what they call social or recreational centres, comprising community halls that could be fitted with a complete gymnasium, a reading room and library, and, in the more populous centres, even a swimming-pool. Besides developing our young people's taste for worth-while books and teaching them physical culture, such projects would teach them to make better use of their leisure and increase their enjoyment of their rural environment. By thus learning to appreciate their environment, they shall grow fonder of it and thus feel less inclined to seek in the city the entertainment they can find in their home town.

[Mr. P. Gauthier.]

I think that this problem deserves the government's consideration and that its solution would help solve another of equal importance, the exodus from rural districts.

I was a member of the Quebec legislature when it first considered this problem and I recall that even in my student days, our debating societies would tackle this problem even if it was not as acute as now. Statistics show that, at the present time, sixty-nine per cent of the population of my province live in the cities. That is an abnormal and undesirable situation, in view of the fact that urban centres depend on the land and its workers for the garden produce they consume in such quantities. Let us keep in mind the need of reestablishing the balance between the urban and rural populations. Let us concentrate our efforts in order to ward off disaster. This project, which I would call a reconstruction project, involving financial assistance for the opening of social centres, is most certainly an excellent way of helping the solution of the problem I have just mentioned, which has but too long existed and on which responsible authorities do not seem willing to concentrate their efforts.

I understand that the carrying out of such a plan would be easier if dominion-provincial agreements had been entered into. I have no doubt that the people are anxious that those agreements should materialize, and they can be concluded without any interference with the proper autonomy of the provinces. The constitutional aspect has been discussed, examined and scrutinized by the learned lawyers and notaries who sit in this house. I dare not deal with it, but I wish to quote a few excerpts from a letter which Sir Wilfrid Laurier wrote to the hon. Léon Mercier-Gouin on July 18, 1918: It expounds an idea which I wish to commend to this house and to the public. Sir Wilfrid Laurier said in that letter:

> You have grasped that difference in pointing out that in our constitution everything that was not expressly assigned to the provinces belongs to the dominion; while in the case of our neighbours, it is the opposite. Under the United States constitution, everything that was not assigned to the central authority is retained by the states. And you add "Is it not indeed more logical, more liberal and more equitable?"
>
> On this point—said Sir Wilfrid Laurier—I am constrained to differ *in toto* from your views. I consider as quite superior our system which assigns to the federal authority all unenumeraated powers. The object of the federal system is to form a distinct unit out of heterogeneous elements, while guaranteeing to each of the latter its own existence, that is to say without any amalgamation. The new state will then

necessarily be more solid and stronger if final authority is vested in the power which unites all those elements. The idea is still more obvious if the object of the federation is to create a new nation out of various elements formerly quite separate.

Switzerland came into being only when it assigned supreme authority to the federal council. Until then, the German Bernese, the French Genevan, the Italian-speaking man from Ticino, were first of all citizens of Berne, Geneva or the Ticino district.

Now each preserves the traditions, language and pride of Berne, of Geneva or of the Ticino, but paramount over them all is Switzerland, one and inseparable.

Daniel Webster, of all American statesmen, is the one who best and most forcibly showed the path finally taken by his country after much groping and an acute crisis. He tersely closes his finest address by saying: "Liberty and union now and forever, one and inseparable."

In my judgment, it cannot be questioned that, unless based on this principle, any federal association carries within itself the seeds of inescapable disruption.

The truth of this is exemplified by the Achaean league and all other attempts at federation in Italy and elsewhere. All perished through the same cause: weakness of the central authority.

The man in the street would reflect: "How can we expect provincial governments to be strong when the central authority is weak?"

We were given yesterday English copies of the Taschereau-Kellock commission on espionage.

Mr. Speaker informed us this afternoon that copies in French would be distributed; I wish to thank the Prime Minister (Mr. Mackenzie King) for having given orders to that effect.

When this matter first came up, some persons, most of whom were opponents of the party now in power, contended that the latter was playing politics, and that the quest for spies was mere eye-wash. In this very house, some hon. members considered that the government's intervention was too harsh. The right hon. the Minister of Justice (Mr. St. Laurent) was even taken to task in this respect. I then took the floor to defend those who believe that we must not beat around the bush when it comes to espionage; that we must take the situation in hand and mete out just punishment to those who break the laws of our country. I do not believe that the sentences were severe enough. If the same thing had happened in Russia, where a special brand of democracy is prevailing, I wonder whether the government of the very democratic generalissimo Stalin would even bother to launch an investigation.

I fail to see why the government should be charged with over-harshness. I believe they have been too lenient. *Pravda* itself, official organ of the Russian government asserted that the liberal administration was simply indulging in a bit of window-dressing to sway public opinion and make political capital by diverting attention to one group in particular, to a part of the world blessed with a sound democratic system, to wit the Union of Soviet Socialist Republics. While hunting, Mr. Speaker, one need not ask wild beasts their permission to fire in self-defence. The government should remain constantly on the alert against the danger of communism. Every organization in Canada and in all other countries must take a realistic view of the present situation. They should count the number of nations under the heel of communism, subject to its influence or suffering the first inroads of its propaganda. We are not sufficiently aware of such a contingency. In Canada, more than anywhere else, we should keep our eyes open. I am not advocating, at this time, the banning of the Labour-Progressive party, but I strongly urge that every means at our disposal be used against the expansion of the communist ideology and of every other nefarious, subversive, dangerous theory which eventually will kill true and sound democracy in the world.

In conclusion, Mr. Speaker, I would give some advice to hon. members by quoting a prayer which is recited in the American legislature in Wisconsin. I found it in a well-informed newspaper of Quebec district, *Le Soleil*. I leave it to the consideration of this house.

God Almighty, Lord of all governments, help us in the opening hours of this legislative session to realize the holiness of political affairs.

Deliver us from the subtle temptation of sin, when the voices of parties and interests are raised in this house.

Prevent us from thinking about future elections, instead of future generations.

Prevent us from discussing personalities instead of principles.

Grant that we may not think too much of securing majorities instead of considering the merits of required legislation.

Prevent us, when debates reach a decisive stage, from speaking for effect instead of telling the truth.

Grant that we derive no pleasure from seeking to coin witticisms instead of searching for facts.

Prevent us from considering the party an end in itself rather than a means to an end.

That, I believe, is a Liberal principle.

We not only beg for Thy protection against temptations which beset us in these legislative chambers but also ask that we may more fully understand the meaning of government in order the better to serve the interests of those who have entrusted into our hands the government of this republic.

Help us to remember that future generations are part of our electoral body, although, as yet, they have no voice in the elections.

Grant that we respect truth more than the past. Help us to make a servant rather than a master of our party.

May we understand the futility of winning elections were we to lose our energy.

Help us to remain independent of tyrannical majorities and argumentative minorities when the truth is with neither of them.

May our motives be inspired by sincerity and our methods enlightened by science.

Help us to serve the masses without flattering them, to believe in them without bowing to superstition.

To this advice, Mr. Speaker, I shall add another. Some hon. members, during the war, urged the government in power to spend billions of dollars, or as much as possible, to make a superhuman effort, to spare neither capital nor manpower, for, to their minds, the expenditures were never large enough. To-day, these same hon. members, who are still sitting in this house urge the government to reduce taxes and expenditures. I ask them to cast a look back and tell us frankly whether they do not believe that someone is bound to pay for the debts made during the war.

They should also remember that those debts should be paid by those taxpayers who can afford to pay them, and not by the small wage earners. Even though our treasurer's efforts disappointed the small wage earners and those who look after their interests, and although the budget did not fulfil all our hopes, we must admit that he has tried to reduce the burden of income tax which rests upon the shoulders of persons in the lower income bracket. Those who approved of billion dollar expenditures and took pleasure in putting the heat on the government, as they said, should now apply that same heat to their own way of reasoning and admit that although the excess profits tax has not been abolished the treasurer tried to alleviate the burden of the small wage earners, upon whom rests the entire economic set-up of a nation. It should be remembered that when France lost the war of 1870, under Napoleon III, it was saved by the well-lined stockings of the thrifty French people. In my opinion, the administrators of finance of every nation should remember that sound economy is not based on daring, but rather on good old fashioned thrift, on that kind of wisdom that prompts the small wage earner to think twice before risking the fruits of his toil.

Mr. W. GARFIELD CASE (Grey North) (Text): Mr. Speaker, I think I should say at the outset it is a source of regret that I do not understand the beautiful language of my French brethren. I try to follow them and to listen to the various emphases so that I may appreciate the translation the next day. The hon. member who preceded me mentioned the name of Daniel Webster. I remembered that there was a Webster who found a meaning for everything, and I then thought I was following very closely the remarks he had to make.

This afternoon we have listened to remarks made by hon. members with regard to a serious situation currently in existence in our country; and while it is not necessarily my purpose to comment upon or to add to what has already been said, I feel it shows what the desire is on the part of the government when the Prime Minister (Mr. Mackenzie King) rises in his place and endorses a suggestion made by the member for Calgary West (Mr. Smith), a member of His Majesty's loyal opposition. I say that because it gives me possibly a greater appreciation of the responsibility of this chamber and the desire of the government to seek advice from those who are sincere in their efforts to make some contribution to the common weal.

It is interesting for those who, like myself, have not been very long in this great House of Commons to think back to the days when we were travelling up and down the concession lines of our various constituencies appealing to our electors and presenting to them the policy which we believed would be in the best interests of the country; and on the great day of days, election day, when we were endorsed by our constituents, those who were selected to follow the majority leader were charged with a greater responsibility in a sense than those whose policies were not endorsed. Yet the opposition, according to our system of government, is in a sense not entirely relieved of responsibility. The responsibility which I feel is mine and my colleagues' is that of being reasonably critical of the policies presented by the administration; that is to say, I do not believe that the opposition is necessarily expected to agree, where you have a two-party system of government, with the policies which the government advocates. Then, too, I feel that an opposition member might be expected to state his personal views. As far as I am aware, there are no restrictions upon a member stating his personal views or indicating to the

government some method whereby he believes the administration could be improved. We had evidence of that to-day and evidence of the government's willingness to accept from the opposition some suggestions which, if given effect to, might improve a serious situation that now exists in the country.

I have grown to appreciate more and more the House of Commons. In common with many other members, I was quite disillusioned after my experience in the first special session following the famous by-election. I learned that an individual, like individuals throughout the land, counts as an individual; yet within this chamber he is provided with certain protection and is privileged to state his views, which can be interpreted by those who are willing to listen to his remarks.

I arrived just about the time the high office of His Majesty's representative was being changed, when we were in a sense saying farewell to those who had so graciously occupied this position with distinction to themselves and credit indeed to the British isles. Then we welcomed a great soldier. At that time I thought that in our wisdom it would be well if we could determine that at all times in the future the governor general of Canada would be a representative from some other part of the British commonwealth of nations. I do not say that in any sense belittling the talent we have in Canada or those who would indeed lend dignity and honour to this high office. But it is a link with other parts of the empire. In my opinion any part of the empire would be proud to have as a governor general a man of the ability of Field Marshal Smuts of South Africa. When I think of the great men of my day and generation, particularly of my day, I can think of no greater man in the British empire than Field Marshal Smuts, one of the world's greatest scientists, an intellectual, a student of world affairs, a scholar. I am not making any comparison with other men, because I think we all recognize that during the trying and difficult days and dark years there was in the centre of this great empire a voice which lent determination and courage to all within its range. Its range was great, because by modern science radio carried this great voice from the heart of the empire to inspire us to greater effort. Indeed it played a great part in the winning of the war. I am referring now, of course, to the Right Hon. Winston Churchill.

I should like to go one step further and offer a suggestion which I have had in my mind for some time. In fact I have been a constant advocate of this matter, namely, the appointment of lieutenant governors to the various provinces. While I have just said that I hoped we would never change our system—but I should like to see our future governors general selected from the various parts of the British commonwealth of nations —I believe there is much to be said for the appointment of lieutenant governors from the various provinces to the various provinces. I have always felt that there is something tangible in the spoken word, and a governor general who is appointed from some other part of the empire can come to us from some other land and tell us about their problems, and the methods they employ, which would give us greater appreciation of them. Then, when he returns to his native land or to the place whence he came he could tell something about Canada and its many advantages. So with the provinces; if we had a citizen from British Columbia appointed lieutenant governor of Ontario or a citizen from Quebec appointed lieutenant governor of Manitoba, Saskatchewan or Ontario, he would have an opportunity to tell the citizens of this province something of the advantages that his particular province has to offer. At the same time a citizen of Ontario would be telling something of the advantages that Ontario has to offer. In this way we would probably become more united than we are at the present time. I see no reason why such a plan should not be seriously considered by the authorities who would make a decision of this kind. I want it understood, of course, that I am speaking for myself and offering this personal observation without any weight of policy or anything of that kind behind it.

I now feel that I should say something about the budget. I can think back to that memorable night when the Minister of Finance (Mr. Ilsley) presented the budget and outlined the fiscal policy of the administration for the supposedly ensuing or current fiscal year. The galleries of the House of Commons were loaded to the gunwales; people were here in large numbers expecting something which would give them a sense of direction, a hope that the government was awake to the problems of the nation; indeed, they anticipated something which never occurred.

I have not had a great deal of opportunity to study the budget carefully. It involved a huge volume of comment, and was a notable address. There was some degree of showmanship evidenced, which, up until that time, I had not given the Minister of Finance credit for possessing. As he proceeded with his presentation, he said that "presently I shall announce substantial reductions in the personal income tax," or words to that effect. That kept us on the alert, anticipating what the reduc-

tions would amount to. Shortly we were to learn, and then I began to realize that the Minister of Finance must indeed have had his tongue in his cheek because the reductions were more or less a myth. I then began to think things over and to ask myself if the budget was an abortion or an illegitimate child; certainly it was premature. By its very terms it is not due to be born until January 1, 1947, and it will be nurtured by the revenues and increment from the calendar year 1946. What does this mean? In effect it means that for the first time in history, to my knowledge, we have had presented in the House of Commons a budget, the effect of which was not immediate. As a matter of fact the budget has always been looked upon as a secret document. Its contents are held closely and rigidly guarded, because therein is contained a matter of policy to which the government intends to give immediate effect. Therefore, in reality we now have a budget that is not in effect until January 1, 1947, and is currently to be in effect for a period of only three months, or a matter of one-quarter of the year.

Mr. ILSLEY: That is incorrect. That statement has been made several times, but it is incorrect.

Mr. CASE: The minister says it is not correct, but in the main it is correct. I am not going to deal with the matter of schedules, the effect of which may be current in some instances; but in the main there are no exemptions for the income taxpayer until January 1, 1947.

Mr. ILSLEY: No. I was dealing with the question of this three months' theory; that parliament has the right to legislate only until the end of the fiscal year, and that therefore any reductions in the budget end on March 31, 1947. That is a completely erroneous and groundless theory, and an incorrect statement.

Mr. CASE: I submit, Mr. Speaker, that this parliament has no right to legislate beyond March 31, 1947, when a new budget will be brought down. In that I am supported by the best constitutional authorities outside the house. All we have before us at the present moment is a promise of what will be in effect until this administration is prepared to give effect to some other change. That does not necessarily mean that it is in effect until—

Mr. ILSLEY: In the last budget, which was brought down on October 12 last, we legislated for the whole year 1946.

Mr. CASE: The minister is now bringing down a budget, the terms of which do not become effective until January 1, 1947; and I am told by those who should be able to speak with some knowledge about constitutional procedure that it has always been an accepted practice that the current session can legislate for the fiscal year; that in reality the budget is in effect until March 31, 1947, and that when a new budget is introduced its terms may be made retroactive to the beginning of the fiscal year. This places industry and businessmen in a difficult position. They find it hard to make plans, because they have no definite advice and no reason to believe that changes will not be made. As a matter of fact, if no changes are anticipated that puts the budget in a worse light than ever. Certainly, if this administration would introduce that measure of economy which has been advocated and urged by the opposition, they should be able to lower taxation during the coming fiscal year. If they are unable to do so that makes the position even worse than I thought.

I have had an opportunity to consult with many citizens of this country, and I can tell the Minister of Finance that they think they have been flim-flammed by this budget. I think it will go down in history as the flim-flam budget, because I have failed to discover in it anything constructive, anything that would give industry any incentive to plan, or any measure of relief for the overburdened taxpayers. It contains nothing which would help us compete in the markets of the world, which we are so fond of claiming as our definite objective and which we must achieve if we are to bring about that industrial production by means of which we hope to maintain our internal economy. Great as the home market is, Canada is in the unusual position that she must anticipate tremendous export markets. I am asking myself whether there is in this budget any yardstick that can be used by those planning for the future to determine their security. It would seem to me that we are constantly moving, without any definite guidance from the administration and without any hope of relief which would put us in a better competitive position. As a matter of fact I think we are becoming more handicapped.

I said there is no evidence of economy on the part of the administration. A good deal has been said about this subject, but I should like to refer to one department in particular. I have in mind the public information service. I am quite ready to admit that perhaps this was necessary in war time, when news of a privileged nature had to be given out with a good deal of discretion, but to-day the public information service is doing nothing more or less than disseminating party propa-

ganda. To-day the taxpayers of Canada are paying a great deal of money to be told how good their government really is. I do not wonder that hon. gentlemen want to keep that propaganda before the people, because there is a feeling abroad that the government is in great difficulty. I do not mean that in the sense that they have not a great many loyal supporters, but among their followers there are those who are very much in doubt. The central government can set an example. We now find regularly on our desks another sample of propaganda entitled *The Saskatchewan News,* a weekly information and news bulletin issued by the bureau of publications, legislative buildings, Regina, Saskatchewan. They are simply following the lead of this government. If we have reached the point where each party in power feels it can use the government printing presses and legislative machinery to tell all the good things about itself, then I think democracy is in great danger, because it will become more and more difficult—and we see the situation developing in connection with radio—for the opposition to make itself heard, though I do not suppose the government worries a great deal about the opposition.

Apart from the budget, Mr. Speaker, I want to say that in a sense I can appreciate some of the difficulties of the government. I realize that I can stand here and tell the government where in my opinion they are going wrong; yet they may reply that in doing so I am assuming no responsibility. However, if I can bring home a picture which would indicate that I have at least an appreciation of their difficulties, and if I indicate my belief that those difficulties can be solved, then I think I may have made some contribution to the councils of the nation. It was regrettable, of course, that the government failed—and I say that advisedly—at the dominion-provincial conference, when they sought to obtain tax adjustments. But it must be remembered, and I think it only fair to say, that it was the federal government alone that was creating double taxation. It cannot be said that the conference failed for any party reasons, regardless of the fact that the two central provinces were represented by premiers who would not be considered kith and kin of the Liberal administration. I can think back to another day and another conference, when the delegation from the province of Ontario was headed by that greatest of all Liberal thinkers, Hon. Mitchell Hepburn, and when no common ground could be agreed upon even to commence the conference. So that the latest failure cannot be charged to the parties represented at that meeting.

In common with other hon. members, I was privileged to sit in the gallery of the senate chamber and view the scene below. My mind went back to another day, of which I have learned in history. I am thinking now of those who met together and became the fathers of confederation. The last conference presented a great object lesson of the tremendous difficulties that were faced by the fathers of confederation. Yet they did not dare to fail. Under the most trying conditions they brought about in Canada the birth of a great nation. How was this accomplished? It was accomplished by a series of compromises. It has often been said that, after all, confederation is nothing more than a compromise, and that it is held together by a delicate thread. I believe in days gone by the Prime Minister has had high regard for that delicate balance which has maintained confederation, and some standard of unification in our country.

I do not know whether he departed from those feelings, but the hon. member for Muskoka-Ontario (Mr. Macdonnell) has said he felt that if the Prime Minister had been ten years younger he could have saved the conference. I would not prophesy. Perhaps I might say that if he had been ten years older he would have saved it. But the fact remains that the conference failed, and its failure is the responsibility of someone. I do not think we can charge that failure entirely to one group, but rather to a combination of them. There was a group, however, which sought to give leadership. The type of leadership evident on that occasion now appears in the budget, and it is set out in a take-it-or-leave-it proposition.

Since sixty per cent of the population of Canada is in Ontario and Quebec, I am wondering what the effect on confederation will be if certain provinces accept the minister's proposals. What will be the effect if those provinces which accept constitute only twenty per cent of the population? In my view, the great danger is that Canada will be divided, that it will set the west against the central provinces or the central provinces against the east.

The situation is indeed serious. As a matter of fact it is so serious that no one should seek to make political capital out of it. My hope is that the Prime Minister and his administration will seek to reconvene the conference; that it might meet in a spirit of compromise and better understanding, resolve its differences and arrive at something which would offer some

advantage, so far as unity in Canada is concerned. I believe that our national unity hangs in the balance at this critical moment, and that we must encourage our government to do everything in its power to follow those principles of unity it has professed in the past. While I do not endorse in toto the practice the government has followed, I know it has always contended that it has sought greater unity in Canada.

More recently we have had brought about parity with the United States dollar. I do not know what the administration proposes to do; but I do know that our natural resources which have been developed, those which remain undeveloped and others in process of development will suffer most. I am one who believes that this generation has a right to exploit to the full the natural resources of this great land. But I say that by careful planning we should seek to replace all replaceable natural resources, so that those who are yet to come will enjoy some of the advantages we enjoy.

Our lumbering, mining and fishing industries will be affected by parity with the United States dollar. I believe I might properly ask where the pressure came from which caused the government to take action, apparently without consultation with anyone. It must have known that these vital industries would be critically affected.

We have before us the problem of maintaining price ceilings. That could have been a reason for the change—perhaps a good one. It is possible the government felt that parity with the United States dollar would help maintain the ceilings on our goods. But I am wondering if we are going to succeed. I am not demonstrating any lack of interest in this vital problem, because I know very well what would happen if the dam gave way. I think of a nation's purchasing power as a constant source of pressure against a resisting force, a force which one might compare with an obstruction across a stream. One will notice that if the water ever goes over the top of a dam the structure is destroyed; and in my view that is the problem we face to-day. If we are to maintain price controls tremendous self-discipline must be exercised by the people of Canada.

Let me place on record some of the figures involved so that hon. members may have a greater appreciation of the situation. I shall not mention the authority for my figures, but I can assure the house that it is a thoroughly reliable one. I accept the challenge of anyone who doubts it. These figures show that personal individual holdings in liquid resources, made up of bank deposits and government bonds, amount to about $1,025 per capita. I give this figure in comparison with that of 1939, at which time we had about $300 per capita, and with that of 1926 with a per capita of $185. To-day we have a total of six and one-quarter billions in bank deposits alone, and six billions in bonds held by Canadians. These are bank deposits, and currency in the hands of individuals. This is money in the tills of merchants, money that is hoarded or hidden. Even our bonds must be considered liquid resources, because every Canadian bondholder understands that if he wishes to realize on his bonds he is free to cash them.

This serves to increase the pressure upon the limited supply of goods. If I were to remind the house that we financed the speculative bubble of 1929 on about two and a third billions of dollars, I believe hon. members would appreciate something of the courage of the Minister of Finance and his colleagues when they seek to continue to give effect to this method of controlling prices. There was an incentive during the war period to pass things by; people were willing to do without. People were willing to conserve their resources in the hope of winning the war. But there is at the present time the tendency—and the debate to which we listened this afternoon in relation to labour and their tendency to strike for higher wages provides all the evidence necessary to substantiate the statement I am about to make—on the part of our citizens to feel that unless they make their purchases now, increased costs will push the price of products beyond their reach. They do not know what may happen. We have that as well to contend with. So that I feel that we have in this budget all the elements which will make problems greater for the administration in controlling prices. There is no incentive for industry to produce, which is the only thing that, in my opinion, will avoid inflation. More goods is the one remedy which would help to stem the dangers of inflation. Yet we find a tendency for labour to be seeking higher wages. Higher wages mean higher costs. This discourages industry; it discourages capital investment and it reduces production; yet no one is satisfied. That is one of the problems we face in the matter of subsidies. Those who receive them feel they are not getting enough; those taxpayers who are paying the subsidies feel that the recipients are receiving too much. It seems to me that the more government regulation you have, the more restricted our production will be. As a matter of fact, if we continue with price ceilings on natural products for a great while longer we shall live in an economy of scarcity

in what has always been recognized as a land of plenty, because incentives are needed to produce.

I am reminded that my time has nearly expired. I shall take only a moment or two more.

Some hon. MEMBERS: Go ahead.

Mr. CASE: I say to you, Mr. Speaker, in conclusion that I believe the real challenge to labour to-day is to seek to share the responsibilities of industry. Industry should be alive to the possibility of having labour represented on its boards of directors, so that they will know more about the problems of industry and will be able to appreciate better those problems. After all, labour is making an investment as well as capital, and each should share to some extent the advantages and the profits which result therefrom.

I will conclude by saying that the privileges we enjoy as a democratic country have been dearly won; let us seek to measure up to our responsibilities.

Mr. PATRICK H. ASHBY (Edmonton East): Mr. Speaker, the Social Credit group warmly and heartily endorses the recommendation which has been made by the hon. member for Calgary West (Mr. Smith). We feel that if the industrial relations committee of this house is set up at once, and if both parties to the present steel strike and all pending and threatened strikes are required to present themselves before the committee to give evidence and to attempt to iron out their difficulties, great good is sure to come of it. We believe that the people of Canada will welcome such an action on the part of this parliament. It is undoubtedly the wish of Canadians everywhere that this body do all it can to bring about industrial peace in Canada. But let it be understood that the setting up of this committee should in no way relieve the government from its responsibilities. I trust that the readiness of the Prime Minister (Mr. Mackenzie King) to accept the proposal of the hon. member for Calgary West does not mean that the government will attempt to shift its responsibility to an all-party committee. The government will be expected by the people to get busy in a real and determined effort to remove at the earliest possible time the basic reasons for labour unrest. It will be expected also to do all in its power through the use of present machinery to prevent further strikes and to reconcile differences between capital and labour.

I have not brought down with me the many hundreds of letters which I have received, complaining about the excessive taxation that has been imposed upon the people of Canada. But from just one day's issue of papers that I received I clipped out enough clippings to fill up the whole of my time if I read even half of them. Here are some headings: "The burden of taxation", "Protests high taxation", "Income tax on the salaried man", "The cost of living index above wartime peak", "The high taxes"; and so on all the way through. I am not going to burden hon. members; I notice most of them have gone out; they are so sick and tired of listening to all these speeches that I do not blame them, and I do not want to add to their trials and tribulations. But I was interested in taxation and I thought I would go to the library and find out something about it. I obtained a book the name of which is, "The Principles and Methods of Taxation", and I read in it a definition of what taxes are:

> Taxes are a portion of private wealth exacted from individuals by the state for the purpose of meeting the expenditures essential to carrying out the functions of government.

The writer of that statement did not know what he was talking about. He had not the faintest idea of what he was saying. Yet he was the president of a great university, a great economist, lecturing to students. Imagine it! Another great university president a short time ago made another statement which was absolutely imbecilic. What the man said was, "We must devise ways and means to provide full employment for all."

Mr. JOHNSTON: That sounds like the Liberal party policy.

Mr. ASHBY: Let us analyse what the man said. What is full employment? Employment is a means to some end. If I had a pile of stones on my lawn and I wanted to get rid of them I would have either to hire somebody, giving him employment, or to employ myself and remove those stones elsewhere. The object of employment is to obtain a result. So what that poor imbecilic university president said in effect was, "Ways and means must be found to provide ways and means", which is pure, unadulterated insanity. No wonder we are in such a terrible predicament. We have passed through the stone age, I am told; I was not living in that age. We have since passed through the iron age and various other ages; we have reached the economic age, the age of money, and now we are getting into the age of illusions. It does not matter to whom one speaks; if they have been through these training institutions that we call universities, although they are no longer really universities at all, but just training institutions, elaborated

barber schools, where human minds are moulded to a pattern, they are incapable of thinking clearly. I had a friend, a university professor. I know many of them, and they are all fine fellows, but they cannot help their training. This man told me that the tariff was a result, that it was not a method at all. He said, "You can vote for a high tariff, or you can vote for a low tariff." The man did not understand that a tariff was a means to some end. He could not distinguish between means and ends, between methods and results, and a great many other people have the same difficulty. Let me read a paragraph from a clipping I have here. Listen to this poor fellow. I pity the poor soul. He is perfectly honest but he just does not understand, and he is not alone in that; it is universal. He says:

I am a white collar worker and not making any more than in 1941. Before the war I paid no income tax. All during the war and now, I pay $400 to $500 a year. We are supposed to be exempt $1,200. Yes, if you don't make more, but if you make, say $2,000, even though married, you are taxed on the $2,000. No exemption except $125 allowed off the taxes for your wife. Try and keep her on it!

What struck me about that was this. We are living in an age of illusions. This man says: "But if you make more than $1,200, say $2,000." Do you get the idea? Does that man make $2,000? Yet everywhere you will meet people who will say: "I made $50 on that deal." Did he make $50? A man came to me in my office only the other day and was complaining. He said: "I make so much a week and have to pay so much out for taxes and all that." I asked him, "Do you really make that much?" "Yes," he said. Then I asked him, "Why don't you make twice as much?" He said, "I would if I could." "Why can't you?" I asked him. "If you know how to make so much money, why can't you go ahead and make more?" Of course, what the man meant was that he received so much money. I can turn up almost any page of *Hansard* and find where members have been speaking of the terrific costs of government. But does it cost money? No, it does not. Then why use that word? The war did not cost a cent. The prices we have paid for things used in the war are something else entirely. Let us get down to sane reasoning. What does anything cost? What is the true cost?

A man, by the name of Christ, lived some two thousand years ago, and it seems to me that that individual had the greatest mind of any man who ever lived on this earth. What did Christ say? "Seek ye the truth." Is it true that it costs money for things? This chair did not cost money. The price paid for it is something else entirely. I tried to explain that to a friend of mine a while ago. I said, "You have a ton of coal and I have the price of the coal, $10, we will say. I want the coal to keep me warm, and so I give you the $10 for the coal. You accept the money and I accept the coal." But did that coal cost $10? "No," I said, "you have the $10 and I have the coal. I take the coal and burn it in the furnace." Then in the spring of the year we meet again and I say, "Now what did the coal cost? It did not cost $10, because there it is, you still have it—or someone else has it. The cost of the coal was what was consumed in producing it." The cost of keeping me warm was the coal, for it has been consumed; we no longer have it.

If we went into the bush and built ourselves a shack, what would be the cost of the shack? We can perhaps say that the true cost of production is the consumption of all that is produced over a given period of time, but let us briefly say that the cost is what is consumed in producing it. So what is the cost of building a shack? The cost is what has been consumed in building it. We no longer have the trees growing that went into it in the form of lumber. We no longer have the rock in the soil. These things have gone into building the home. The home did not cost money to build but it cost the things that went into making it. If we can only get away from some of these illusions that so many people have, we shall begin to make some real progress.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

Mr. ASHBY: Mr. Speaker, at six o'clock I was discussing this age of illusion and was dealing with costs. One hon. member told me that he did not follow me, that he was confused regarding the difference between price and cost of goods. I should like to use this illustration in that connection. If I had $10 and required a pair of shoes I could use that $10 to obtain the shoes. Money is a means to an end and not an end in itself; all that I would do would be to hand the $10 to the retailer; he would transfer the shoes from his possession to mine, and I would wear them if they fitted me. The shoes did not cost $10. That was the price paid for them.

For the benefit of the hon. member who asked me the question, may I use this other illustration? If we had, we will say, a sack of wheat which we wanted transported from a granary to a feed barn and we used a wheel-

barrow for the purpose, would it cost the wheelbarrow? Of course not. I would suggest to anyone who is confused about price and cost that he repeat to himself when eating soup, for example, "The soup costs the spoon." That would be just as insane as it would be to say that it cost money.

I mention this age of illusion for this purpose, because we are finding it more and more difficult to convey our thoughts from one to another, and this matter of costs and making money and so on is all the result of the infiltration of an alien agency which is trying to undermine the whole democratic system of life and all the institutions which we have developed, or rather which have naturally evolved in the course of the ages.

The British commonwealth of nations is the greatest united nations organization ever known in human history, and the British commonwealth of nations, this great united nations organization, is under attack. It is being attacked not directly but indirectly. We see it all the time; and this is one method of attacking it, by means of the great illusions that are created in the minds of people, as though our systems are wrong, whereas our systems are not. What is wrong is the abuse of these systems. There is nothing wrong with automobiles, but there is something wrong with the improper use of them, and it is exactly the same with our financial institutions.

I wish to congratulate the Minister of Finance on holding on to this system, because if he ever gives way to all the pressure brought to bear upon him, we may lose it and this money system is the greatest system that has ever been devised by man. May I read a brief extract to illustrate that contention:

> Remove the abuses, and the more one understands of our systems, the more beautiful and subtle and delicate and appropriate do they appear, and the more desirous and pledged one becomes to see them administered correctly, and according to their nature, and the less one itches to destroy.

Let us be careful. Never destroy until we have a better system or structure which is tested and tried and which will take the place of that which we seek to destroy. The writer says:

> I do not believe that anyone in the least susceptible to natural beauty in its less obvious and picturesque guises, studying dispassionately the intricate and nicely-adjusted system of balances and checks that operate in the different departments of the money system, could reasonably refuse it their admiration. Take any of them—the investment market; bank clearing house; particularly the foreign bill market and exchange regulations, so unjustly blamed as the prime cause of the restriction of international trade, and consider how well designed they are to fulfil their genuine purposes. Yet it is this growth, resulting from centuries of well-directed traditional husbandry, that the monetary reformers would ruthlessly hack at, fracturing vital connections and displacing fine adjustments, to substitute something which they imagine they personally will be better able to manipulate; something artificial and quite alien and unresponsive to human reactions. For your planner is the congenital enemy of nature, because she is not susceptible to manipulation, and when she is manipulated hits back with a ruthlessness on a par with his own.
>
> What it amounts to really, is this; that the impulse behind wholesale reform, what we call social planning, the planned economy, is the impulse to alter and break up nature . . . It is precisely "management" not "money" that has brought society to the pass in which it is. Our trouble lies, not in the monetary system, but in the abuse and exploitation of the system for their own ends by those in control of it, and the failure on the part of all of us to control the controllers.

I think that illustrates the point I wish to make. I was greatly disappointed in the budget when it was brought down. For weeks we had talked about it. It did not matter where one went one heard comments about the budget, and as the weeks passed on my hopes began to rise. I became more expectant every moment, and finally the time arrived when the budget was to be brought down. The bell rang; I rushed out of my office and rushed back to comb my hair. I was so excited and expectant that I had to go back again to get my coat. However, I finally arrived in my place prepared to see the budget brought in. But what a disappointment it was. I am not an old political war horse; I am just—

Mr. MacINNIS: A new one.

Mr. ASHBY: I am a newcomer, and perhaps my hopes were too high. I looked for too much. I heard but little that went on. My eyes were glued to the door, for I expected that any moment the doors would open; there would be a blast of silver trumpets followed by a couple of drum majorettes and then a long procession of sober-faced dignitaries, followed finally by the budget carried aloft on a golden platter, looking for all the world like a great suet pudding decorated with cabbage leaves and a sprig of spring onions. But instead of that, all I saw was a weary looking Minister of Finance and a couple of sober-faced deputy ministers who looked as though, if they had a good farm dinner, they would develop flatulent colic. I am not blaming the Minister of Finance at all. I get letters—I would not dare to read them—blaming the Minister of Finance for everything.

Mr. JOHNSTON: Give an indication of what they are.

Mr. ASHBY: I am not blaming the Minister of Finance, but I shall have to explain to my constituents that the minister is but the representative of the people, although I presume they must hold him responsible. I do not think the Minister of Finance drew up the budget. I believe it was drawn up by the technicians, the civil servants behind the scene who are ruling Canada to-day. I was speaking to one of my friends—I have many in the civil service. I went down to see them one day and one of them said: "Members of parliament come and go but we live on forever." A few days ago I paid another visit to him. I was not watching the time, and when I read an article here it reminded me of it. I shall put it on the record later. As I say, I went down to his office least expecting the welcome I would get when the doors of the prison on the corner here called the Confederation building opened. I just got to the doors when a bell rang or something happened. The doors flew open and out flushed the greatest flood of humanity I ever saw in all my life. They were mostly members of the fair sex. I was swept half a block down the street before I was able to get hold of a barber's pole and swing into the door. The barber said, "You are next," and would have had me in the chair had I not told him it was a mistake. These girls were so happy to get away from their prison, as they call it, that they were singing, "Give me a home where the buffalo roam." The tune that I sang had a mournful air. I sang, "Why can't every man have two or three wives?" I think I shall have that stricken from *Hansard* because if my wife sees it, she will be down here in a day or two. However, there is more than one way of calling to one's mate, anyway.

The other day I attended the meeting of the marine and fisheries committee. A bill was brought before us for approval. I looked at the bill. It occurred to me that there was no name on it and I wondered who drew up that bill for us to pass. The next question which occurred to me was, who gave the individual the authority to draw it up? I asked to be informed but I never found out. The point I want to make is that we are working upside down, as it were, wrong end to. Instead of us as representatives assembling here and giving instructions to the civil servants, the experts, as to what results the people want and the experts devising ways and means of producing these results, we merely assemble here and pass bills, some of which we know little or nothing about, and we are actually given instructions by the civil servants. That is entirely wrong, and until we rectify it we are going to get nowhere. Some of the people in the United States are going to get ahead of us unless we "step on the gas", as it were.

I should like to read two short paragraphs from the *American Magazine* of July, at page 39:

> Congress has enacted—and the president has endorsed—legislation designed to plan for permanent prosperity. Furthermore, any actions taken under the law will be taken within the framework of our own free enterprise system—

Let us remember that.

> —and through our existing democratic processes. We have committed ourselves to a goal. Here it is:
>
> "The congress hereby declares that it is the continuing policy and responsibility of the federal government . . . to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining . . . conditions under which there will be afforded useful employment—

Useful employment, not employment such as we see here in this city, where thousands of people are merely shifting bunches of paper from one place to another and making marks on them, but useful employment. I continue:

> —opportunities, including self-employment—

That is what we call the leisure state where human beings may employ themselves at the kind of work they like to do best. I continue with the article:

> —for those willing, able, and seeking work, and to promote maximum employment, production, and purchasing power."
>
> That, in a mouthful, is the goal. You will note, in the last clause, that congress recognized it is futile to expect everyone to have jobs unless our industries have a full supply of orders and unless all our people have enough money in their pockets to buy all the goods our farms and factories can produce.

That is the greatest forward step our sister nation to the south of us has ever taken. I am making this direct recommendation to the government, namely, to see to it that something of this kind is introduced immediately, and that means without delay.

The solution of our problems can be found by simplifying government.

Mr. HERRIDGE: I should like the hon. member in his own inimitable and fabalistic style, to give an illustration of his simplified form of government.

Mr. ASHBY: I shall be indeed pleased to comply with the hon. member's request. It is a well known fact that historians have great difficulty in obtaining detailed data regarding some of our early parliamentarians. It

requires years of work, of probing into attics, cellars and archives to obtain this information. In the first place, in the olden days they spelled badly; in the second place, they had no parliamentary reporters, and in the third place, they did not keep any records anyway. But I should like to take hon. members back to one of our early sessions of Parliament. There must have been a time in past political history when we switched off the main road which by this time would have led us into an era of blessed prosperity and happiness, on to a side trail which has brought us into our present state of dissatisfaction and unrest. We have to go beyond the crossroads where we turned off; we have to go beyond the early days of confederation; we have to go beyond Westminster.

I have in mind one of the greatest sessions of parliament in British history, a session presided over, it may interest the Minister of Labour (Mr. Mitchell) to learn, by an ancestor of his; at least they were both men of Sussex. I refer, of course, to that illustrious prime minister, that most potent of all potentates, his high and mighty self the Right Honourable Sir Bonehead Piltdown, whose thick but noble skull was discovered buried in the gravel of the Sussex downs where for thousands of years, in death as in life, it defied all comers, the forces of nature, the elements and time itself, to emerge at last triumphant and again become a world-known character. I can picture a brief session of parliament in that period, when they were not bothered with figures of billions and billions and billions, but just went about their business in a natural way. I can visualize the members of parliament in committee. I can visualize the prime minister himself walking up and down the floor of his apartment as he pondered the perplexing problems that were probing his pericranium. I can see that great man make up his mind and give a few lusty scratches on the floor of his cave with his great feet, sending bits of bones and small stones clattering in the general direction of his wives, and testing the the thongs which bound a five-pound rock to the end of his knobkerry; then, girding about his loins an Aberdeen sporran, stride forth to parliament in all his glory, just as the bell rang. I can visualize that great prime minister smite with his stone hammer his official boulder which he used as an altar, calling the assembled members of parliament to order.

If hon. members will permit me, I should like to quote the whole of his speech at that time. I could quote from almost any *Hansard*, because every great prime minister from that day to this has repeated the same address. Our own Prime Minister spoke to us last December 13, I think it was, or about then, on the same subject. The address was: "Members of parliament are here to represent the people of their constituencies." That is all there was to it; brevity was his keynote. In other words, it was not really a speech at all but a warning that members of parliament should attend to their business, which is not making long and windy speeches. If I may disgress for just a moment, I have learned why we come here and sit around month after month, accomplishing nothing. It is because whenever a problem is brought before us we immediately make up all the words we possibly can, assemble them into lengthy speeches and completely bury the problem under an avalanche of words. Then, when we can not longer see the problem before us, we go on to the next one.

This brief session of parliament went right through without let or hindrance. The prime minister was a stern man, but on occasion he was very tender-hearted. At this moment he turned toward his page girls. I see hon. members are interested, and I should point out that this great prime minister was an expert judge at all beauty contests, the winners of which were honoured by being made page girls. By the door were beautiful blondes and lovely brunettes, their hair hanging over their smooth shoulders clear down to—well, down to here. Turning to the page girls the prime minister said, "Open the doors. Bring in the deputy ministers." The doors were opened. The policeman outside could be plainly heard saying, "Right! Right! Right!" You will notice, Mr. Speaker, there were no leftist movements in those days. In marched the deputy ministers. "Halt!" The doors were closed behind them. The prime minister then delivered his usual speech; facing them, he said in a stern voice, "Hear ye!" That's all. No sooner had he uttered those words than the deputy ministers cupped both hands behind their ears. No excuses were accepted; either they heard what was said, or the prime minister found it necessary to send his knobkerry to the cleaners. Next the prime minister turned to the members of parliament and asked this simple question: "What results do the people desire?" They should know; they are representing the people. There was a little commotion; finally one member was pushed to the front, and then and there gained the honourable title of Mr. Speaker, a custom which has been followed to this day; and Mr. Speaker stood up and said—

An hon. MEMBER: Order!

Mr. ASHBY: Mr. Speaker, glancing behind him to see that his supporters were still standing there, said in a clear voice, "The people demand that all taxation on incomes of $2,000 for married persons and $1,500 for single persons be immediately abolished, with no increase in the price of goods and no lessening of social services; that all women who survive to the age of fifty years shall be paid their rightful allowance of $50 a month; that all men who survive to the age of sixty years shall be paid their rightful allowance of $50 a month, and that there shall be no spying or prying into their private affairs, either, by guess, by gosh and by golly, so help me, amen." And he collapsed into the arms of his staunch and loyal supporters who held him up on his feet.

Mr. SPEAKER: Order. I regret to inform the hon. member that he has spoken for forty minutes.

Mr. W. A. ROBINSON (Simcoe East): Mr. Speaker, I am afraid I shall have considerable difficulty in following the hon. member who has just spoken; but if he can convince the coal dealers in my vicinity that a ton of coal cost nothing, as he attempted to convince the house this afternoon, I should like him to pay me an extended visit next winter.

Mr. ASHBY: On a point of order, Mr. Speaker, the hon. member misstates what I said when he assumes I said a ton of coal cost nothing. I said it did not cost money.

Mr. ROBINSON (Simcoe East): If I can get a ton of coal without money it is the same thing to me.

It is with some diffidence, Mr. Speaker, that I rise to offer a few remarks at this late stage of the debate, and I only hope I may be able to make a worth-while contribution. I have listened with a great deal of interest to the previous speakers, and I shall try to avoid anything of a repetitious nature. I cannot, however, avoid making some reference to what appears to be the main criticism of the budget by hon. members immediately opposite, namely, the charge of lack of economy in public expenditures. This charge was levelled very briefly by the hon. member for Muskoka-Ontario (Mr. Macdonnell) in the words, "spend, spend; borrow, borrow, but never save, save," as they appear at page 3215 of *Hansard*. This has been repeated in various forms, but unfortunately at much greater length, by many hon. members on the opposite side of the house.

It is extremely difficult for me, and I know it will be extremely difficult for the people of this country, to place any credence in a charge of this kind, when it is directed at the Minister of Finance (Mr. Ilsley). I recall clearly the first occasion upon which I heard him speak. It was some years ago, before he had assumed his present position, at a meeting of service clubs in my own constituency of Simcoe East. His subject at that time was a comparison of municipal and governmental financing. I can still remember the homely reference he made on that occasion to a rural municipality in his native Nova Scotia. There each taxpayer examined each item of municipal expenditure with an eagle eye, and could calculate to the last penny the effect of such expenditure upon his individual tax bill. Woe betide the municipal council which made unnecessary disbursements. Those who heard the minister speak on that occasion were convinced that he would apply the same principle of careful scrutiny of expenditures to the broader field of national finance. I am happy to say the people of Canada have given him an opportunity to do so, and in the last few years have entrusted him with the raising and spending of sums of money such as have never before been dreamed of in this country. I do not think there is present in the house, or outside it, anyone who would dare say that the minister did not do a magnificent job.

As I said before, I put no credence in this type of criticism, and I feel sure the people of the country still look to the Minister of Finance as the watchdog of the treasury.

Mr. HOMUTH: Have you read the auditor general's report?

Mr. ROBINSON (Simcoe East): If the hon. member wishes to ask a question I wish he would rise.

Mr. HOMUTH: If you will sit down, I will. Have you read the auditor general's report?

Mr. ROBINSON (Simcoe East): I do not know what that has to do with my present remarks.

Mr. HOMUTH: A great deal.

Mr. ROBINSON (Simcoe East): I can assure the hon. member that I have read as much of it as he has.

There is another trend in criticism of the budget to which I should like to refer. I have detected a tendency on the part of critics of the budget to consider it as a thing unto itself rather than as merely one link in our progressing economy. Less than a year ago we concluded the most disastrous war in history. In that war, to the everlasting credit of the people of Canada, we pulled our full share, or more than our full share if considered

on a per capita basis. Following that war, and again to the everlasting credit of the Canadian people who submitted to every restriction and accepted every sacrifice, we find ourselves in Canada in a favoured and enviable position.

No one on the treasury benches in front of me has attempted to take unto himself any credit for this fortunate result. That credit has been and will be left to the people of Canada, where it belongs. But, from my secluded seat under the somewhat improved lights, I want to say it is high time that some of the gentlemen in front of me who directed and planned this great effort of the Canadian people should be given some small measure of approbation, rather than constant criticism. Further, not only did they plan and direct our war effort, but similarly they laid the foundation, well in advance, for our transition to a peace-time economy.

The present budget is, in my opinion, not a thing unto itself. It is in its essence merely one link in a far-reaching plan of transition for Canada, tempered by the exigencies of a devastated world where we must in all humanity go to the help of people less fortunate than ourselves—starving peoples, homeless peoples, naked peoples.

In this light I cannot agree with those critics of the budget who complain, for instance, that the income tax exemptions are not sufficiently high. I think every hon. member would like to see the tax exemptions greatly increased; but at the same time I should like to think there is no hon. member who would espouse such a proposal to the detriment of the national economy.

I have indicated previously that I consider the present budget merely a part of a continuing phase of our Canadian economy. I have no doubt that the minister has already fitted this budget to its proper place in this phase of transition, and is now looking to the future. I should like to commend to him at this time one aspect of the Canadian picture which I hope will have his serious consideration, and which I trust will fit easily and naturally into the Canadian economy. In this I refer to shipping and shipbuilding, and I hope I may be pardoned if I make somewhat extended remarks in reference to my own riding. In the riding from which I come we are proud, and I think justifiably, of our position in the shipping and ship-building industry. We are similarly proud of other things—our productive farms, our factories in Orillia, Midland and Penetanguishene, which helped so much, as the Minister of Reconstruction and Supply (Mr. Howe) well knows, to create the goods necessary to the winning of the war. We are proud of our historic past and our scenic beauties, our lakes and islands and beaches, which attract so many visitors to the province of Ontario.

(Translation):

Allow me, at this time, to point out with pride to the fact that the northern part of my constituency is dotted with villages inhabited by worthy French-Canadian families who contribute to the prosperity of the district.

(Text)

I hope my constituents and hon. members will forgive me if I do not dwell at too great length on the beauties of my riding, but rather confine myself to the subject I mentioned earlier. Shipbuilding in my riding is centred in the town of Midland on Georgian bay. Our experience in this industry goes back many years, in so far as the building of wooden ships is concerned. In fact, I think even today there may be on the great lakes hulls built half a century or more ago by Ganton Dobson. We commenced the construction of steel vessels during the first great war, and launched at the Midland shipyards a series of vessels such as the *War Fiend* and certain sister ships with similar ferocious names. Following that war, the yard constructed a number of cargo ships, such as the *Ashcroft*, the *Stadacona*, the *Gleneagles* and the *Lemoyne*. I cannot allow this occasion to pass without paying a well deserved tribute to the *Lemoyne*. Launched at Midland in the middle twenties, she was then and still is the queen of the great lakes. Built to carry huge cargoes of grain, being 633 feet in over-all length and the only ship on the lakes with 70-foot breadth, she has been unapproachable as a record carrier of wheat. Some of her records are as follows: wheat, 1929, 571,885 bushels; corn, 1938, 534,000 bushels; rye, 1927, 538,817 bushels; soft coal, 1944, 18,116 net tons.

During the thirties the yard which produced such magnificent vessels was unfortunately closed, and it was only with the coming of war that we returned to something of our old position in the shipbuilding field. Then the big yard came to life again and we saw on its ways corvettes, mine-sweepers and powerful ocean-going tugs. Also, our smaller yards, which had previously been engaged in the construction of small pleasure craft, expanded rapidly to turn out Fairmiles and wooden mine-sweepers. I assure you, Mr. Speaker, we felt very close to one important phase of the war effort. We saw these vessels in course of construction. We saw young Canadian officers come to Midland, commission their ships and sail away with their first command. We took into our homes young English boys, made old by fatigue and strain, whose ships had sunk beneath them

and who only remained with us until a new one was launched and they could return with it to duty on the high seas. Yes; we felt very close to the war effort and I think we did a job. Here is the record:

Hunters Boat Works at Orillia produced seven Fairmiles.

Grew Boat Works at Penetanguishene constructed eight Fairmiles and two wooden mine-sweepers.

Port Carling Boat Works at Honey Harbour launched ten Fairmiles and two wooden mine-sweepers.

Midland Boat Works at Midland produced eight Fairmiles and two wooden mine-sweepers.

Midland Shipyards Limited delivered five Western Isle trawlers, eleven ocean-going tugs and eleven corvettes.

I should like to give the names of these corvettes, although they are already well known in Canadian naval annals. They are the *Midland, Brantford, Strathroy, Thorlock, LaMaria, Willowers, Lindsay, Cobourg, Whitby, Parry Sound* and *West York.*

I wish now to turn for a moment from shipbuilding to shipping and to indicate our intense interest in the grain trade, which is the backbone of Canadian lake shipping. We have at Midland and Port McNicol five modern elevators with a combined capacity of 20,750,000 bushels. The individual units can handle grain at rates ranging from 12,000 bushels an hour to 40,000 bushels an hour. Our elevators play a large part in the annual grain movement. To illustrate, I have before me some figures for 1945 on the destination of the major grains and soy beans at ports in Canada and the United States, which customarily receive grain in large volumes. These are as follows:

	Bushels
Grain received at ports in United States	343,111,905
Grain received at ports in Canada	331,168,647
Total	674,280,552
Grain received at all Georgian bay ports	172,123,052
Grain received at Midland and Port McNicoll	131,297,923

In other words, out of a total of some 331,000,000 bushels of grain received at Canadian ports in 1945, two ports in my riding received some 131,000,000 bushels.

These immense cargoes were carried in our great lakes fleet, of which Canadians can be justly proud. This fleet consists of 226 vessels with an aggregate gross tonnage of 611,795 tons. Even at the risk of boring the house with figures, I should like to give a picture of the make-up and disposition of that fleet among the various trades. According to the annual report of the Lake Carriers' Association, at the close of the great lakes navigation season in 1945, commercially employed vessels of Canadian registry were as follows: First, we had bulk freighters in the iron ore trade, including nineteen steamers in ore, coal and grain trades, and nineteen steamers in grain and coal trades. Second, classified as bulk freight, self-unloading vessels, we had nine steamers, self-unloading conveyors in the coal trade, and two steamers, self-unloading conveyors, in the cement and coal trade. Third, classified as bulk freight vessels in mixed trades, we had five steamers of the upper lakes fleet in coal and grain trades, eighty steamers in the lower lakes fleet in coal, grain and paper, and twelve other ships in various trades, including paper. Then we had twelve barges in coal, grain and pulpwood. Of package freighters we had twenty. Of oil tankers we had thirty-four. The remainder of the fleet was made up of car ferries, three, and passenger vessels, eleven: a total of 226.

I think this presents an impressive picture of Canadian lake shipping, but there is another side of the picture which should be told. Some of our ships are very old. To quote a few at random: *James B. Eade,* of the vintage of 1894: *Algorail,* 1901; *Laketon,* 1903; *Bayton,* 1904; *Westmount,* 1917; *Matthewston,* 1922, and *Royalton,* 1924. In other words, the average age of our fleet, and especially our upper lakes fleet, is high, and this means, at the least, increased cost of operation and, at the worst, actual obsolescence in some cases.

Although my remarks have been directed primarily at the role of my own riding in shipbuilding and shipping, I hope that two general points will have emerged. First, I think it is clear that we have in Canada shipyards which are ready, willing and competent to build ships of all kinds. Second, we have in Canada a great lakes fleet of which we can be very proud but which is in need of new blood. The inference seems to me to be obvious, and I commend to the minister and to the government that in any deliberations as to our future economy these two points be kept well to the forefront. Let us see to it that these related industries, shipping and shipbuilding, play an increasingly important part in the national scene.

Mr. E. L. BOWERMAN (Prince Albert): Mr. Speaker, I am afraid that my remarks regarding my constituency will not be quite along the lines to which I have just listened from the hon. member who has just spoken.

I rise to take part in this debate because of a sense of responsibility to my constituents who will expect me to present to the government, through the Minister of Finance (Mr. Ilsley) in this budget debate, their reactions to his proposals as well as their pressing and immediate needs.

At this time it is not my purpose to deal in detail with the budget proposals, because I understand that we shall have an opportunity to do that in committee and my colleagues have also presented in an able manner our views as a group. My purpose this evening will be to present the views of my constituents as I see them in relation to pressing problems of a constituency nature.

First, may I express my support of the amendment which has been moved by my colleague the hon. member for Vancouver East (Mr. MacInnis). I believe that by far the greater majority of my constituents feel as I do about this amendment, that it sets forth clearly and concisely their objections to what the Minister of Finance is pleased to call essentially a peace-time budget providing for the financial requirements of the first post-war year which is wholly a year of peace. I am quite sure that all the socialists and most of the Liberals and Conservatives of the riding of Prince Albert feel as I do, that the minister's budget does not provide as it should and could for the peace, happiness and prosperity of our citizens. While I am sure that these are the views of my constituents, I am also sure that they would, as I do, want to express appreciation and admiration for the manner in which the Minister of Finance has so conscientiously and unhestitatingly given of his energy and talents to the winning of the war. True, it has been our privilege to view most of his efforts from a distance. Nevertheless we feel that we can say, and say it sincerely, that no one in the government is more worthy of the honours bestowed upon him than the present Minister of Finance.

I should like at this time to thank all other hon. members of this house for the kindness and consideration that I have received from them, especially from the various ministers of the government when I have sought information from them or their departments on behalf of my constituents; also the senior members of the house who have in so many ways assisted us newcomers to this parliament to find our way around, as it were. During my first session here there were times when I sat in what seemed to me a maze of formalities that tended rather to hinder than facilitate the business of the house. I say that it seemed that way to me. Then there is a certain book in which the precise way for members of parliament to get in and out of difficulties is set forth, but what has puzzled me and still does is that there are times when its citations are to be considered in the light of one or more other books and previous rulings, depending, as I see it, on which side of the house the difficulties arise. Then the Speaker is called upon to rule on the matter.

Mr. DEPUTY SPEAKER: Order. The hon. member is reflecting on the action of the Speaker.

Mr. BOWERMAN: I am very sorry that Your Honour is taking that position, and I am sure that if you will wait for a moment you will be satisfied with what I intended to say. It was not my intention to reflect in any way upon the Speaker; but may I say with all deference and respect that I have not been at all times sure that the rulings given could be found in any of the books mentioned. However, let me hasten to add that the gracious manner in which the Speaker and the Deputy Speaker have given their decisions has gone a long way toward dispelling from my mind any thought but that their desire was to fulfil, in a fair and impartial way, duties of the high office placed upon them by this parliament. Having said that in all sincerity, I return to the amendment to the amendment.

We in this group look with grave concern and with a measure of regret upon the failure of the government to implement their pre-election pledges and to fulfil the promises made only a year ago to the Canadian people from coast to coast. By no stretch of the imagination can I agree with the minister when he refers to this year as being "wholly a year of peace." There is no peace, either abroad or at home, and there can be no peace in our land until this government, or some other, recognizes the fact that the labourer is worthy of his hire, be he farmer, artisan or what-not, and that he is entitled to a fair share of the national wealth and a voice in determining his hours of labour and the conditions under which that labour shall be performed.

It is, in my opinion, absurd even to think of calling this a year of peace, when at the very time of the preparation of this budget thousands were out of employment and thousands were out on strike, because that is the only means they know by which their demands are heeded. Further, thousands are homeless because this government has failed to plan for peace as it planned for war. Even as we continue this debate, thousands have just gone out on strike who have patiently and consistently for months, yes, all during the war,

given of their best, hoping against hope that the conditions under which they laboured and the "take-home pay" they received might be improved to a point where there would be an assurance of a decent standard of living. In the face of all this, the government brings down a budget that leaves the burden of taxation upon the backs of those who can least afford to pay while, practically at the same time, it brought down a measure increasing the pay of all members of this house and of the other place, with tax exemptions for us in this chamber.

Without any hesitation, I affirm that every married couple are entitled to at least $2,000 a year tax-free income, and every single person to at least $1,000 tax free. We have every reason, because of the pre-election promises, to expect jobs, housing and rehabilitation plans to a far greater extent than we have at present, and promised for the distant future, in this budget.

Mr. Speaker, because I have not had the opportunity or availed myself of the opportunity if I had it, I wish to say, in the light of this budget, a few words regarding the constituency I have the honour to represent. Prince Albert, a news commentator has said, and I quote:

> . . . is the rightful electoral heir of the old federal district of Saskatchewan, Northwest Territories, and it was in the federal electoral district of Saskatchewan, Northwest Territories, in the year 1896, that a political leader by the name of Wilfrid Laurier was elected to parliament on a protest vote. The handful of Canadians in revolt against the double talk and double-dealing of the government that had been in office too long for its own honour or its country's good, did the job then by a majority of 44, and after forty-nine years Prince Albert has got back at last to pioneer form.

The territory of this constituency is as wide as from Ottawa to Montreal and stretches northward from the North and South Saskatchewan rivers to the Northwest Territories, a distance as far as from here to Toronto. Within this vast territory are some of the finest agricultural lands to be found in Canada. In the northern parts are to be found hundreds of lakes and streams teeming with fish, and its forests are a hunter's paradise. Gateway to this vast area of unlimited, potential mineral, water and forest wealth, indeed to much more of the Saskatchewan great northland, is the city of Prince Albert, located on the banks of the North Saskatchewan river. All that has kept this enterprising little city and the surrounding territory which comprises the constituency from taking its rightful place as one of the leading industrial and recreational centres of western Canada is the fact that for ninteen years it has been tied to the apron strings of the Prime Minister and a small group of Liberals, so-called. Lest it may be thought that I am alone in this opinion, and just to keep the record straight, I should like to quote from others who, both from a distance and closer up, have viewed the situation. First, may I read from *Maclean's* of July 15, 1945:

> Prince Albert is a city of about 13,000, a bustling and ambitious little place with a Rotarian civic pride. But newcomers arriving by train would conclude, from looking at its railway station, that it was a none-too-enterprising village. Prince Albertans are acutely conscious and ashamed of this eyesore.
>
> Prince Albert is also on the North Saskatchewan river, a navigable stream which used to be the sole transport artery of the region. Bridges over such streams are a federal responsibility. Prince Albert has a bridge that looks like a museum specimen of the late Victorian era; it's ugly, grimy, rickety and inadequate to the traffic it bears.
>
> Worst grievance, though, is the Prince Albert airport. Other western cities of comparable size and status have good, modern air fields with hard-surfaced runways. The Prince Albert airport looks like what it is, somebody's cow pasture. Two days' rain converts it into a swamp on which no plane can land or take off. But nobody ever persuaded Munitions and Supply to release the asphalt, or Transport to release the money, that would have made this piece of prairie farmland into a modern air station. Clamour on all these grievances met the reply, "now don't embarrass the Prime Minister."
>
> This neglect has been rooted, of course, in Mr. King's honourable reluctance to give any favours or preference to his own riding. But resentful Prince Albertans, even Liberals, will tell you that he carried this policy much too far.

Next, I wish to quote from the Prince Albert *Daily Herald* of April 1 of this year. By the way, the Prince Albert *Daily Herald* editorially is Liberal, but in spite of that they publish a paper of which, for world, national and community news, any constituency might be proud. I quote:

> For twelve days now Prince Albert has been cut off from the rest of the world by air mail. The Canadian Pacific Air Lines has been forced to by-pass the city because of the quagmire conditions at the landing field. Prince Albert is the only sizable place in the province in the unenviable position of not being able to provide a safe landing field for wheel-equipped planes at times of the year when water lies on the field.
>
> Throughout the war the field was used under the commonwealth air training plan for the training of pilots for the war. It so happened that the type of training given in Prince Albert did not require hard-surfaced landing facilities. It was only because of this that the facilities which are essential if a city is to be of any importance on the air map of the country are lacking in Prince Albert.
>
> During the election campaign, when Minister of Reconstruction Howe visited Prince Albert, he declared that if Prince Albert wanted hard-surfaced runways at the airfield, these facilities would be provided. The election did not go the

way that Mr. Howe no doubt hoped it would when he made this promise, but a promise is a promise and now seems the opportune time to remind Mr. Howe of his pre-election commitment.

There are good arguments with which to support a request to the dominion government for the construction of hard-surfaced landing facilities here. One is that these facilities have been provided in Saskatoon, Regina, North Battleford and elsewhere out of dominion funds and it is not unreasonable to expect the dominion to place Prince Albert on a footing of equality with these other centres.

Further, I wish to place on the record the fact that a delegation from Prince Albert did come to Ottawa, and briefs were presented to the Prime Minister and the ministers concerned regarding the airfield runway. In this brief they say:

The council of the city of Prince Albert and the board of trade respectfully request the immediate construction of hard-surfaced runways at the Prince Albert airport, and they further request that the Department of Transport take over the operation and maintenance of the airport.

The city of Prince Albert is located at the extreme north of the populated area of the province and is the starting off point for flying in the north.

During the war airports adjacent to small centres were hard-surfaced. We point particularly to fields at Davidson, North Battleford, Mossbank, and Dafoe, etc. In many instances we understand that these fields are not being and will not be used for civil aviation.

In view of the actual use of the field and its possibilities for future development it is felt by the city that a modern airport with hard-surfaced runways is indispensable.

The city accordingly urges that the matter be given immediate attention by the federal government.

I said that this delegation did come. They received the same promises, only extended, that were received prior to the election last year.

In regard to the traffic bridge, I only wish to remind the ministers concerned that this matter is urgent and that plans should be made for the starting of this project without delay.

There is another urgent matter confronting the citizens of Prince Albert as well as those of many other communities in Canada. I have received letters in regard to this matter, and, because I can get it before the Minister of Finance more quickly in this way, I shall again quote from an editorial appearing in the Prince Albert *Herald* of July 3, as follows:

The Prince Albert citizens' rehabilitation committee in resolutions passed at a recent meeting has drawn attention to the acute housing situation in Prince Albert which requires the immediate attention of government authorities.

About a year ago Wartime Housing Limited commenced the construction through a contractor, of fifty houses in the city. At that time it was said some of the houses might be ready for occupancy by Christmas. Here it is six months from Christmas and not one family has been able to move in. Another fifty houses are to be built, but when? Wartime Housing Limited dwellings, in the meantime, have been completed in other cities. Some of them have been occupied for months.

The committee in its investigation found that there were approximately 275 veterans' families awaiting adequate living accommodation in the city. It is urgent that as many of these as possible be quartered as soon as possible in order to permit the occupants of the houses to obtain their winter's supply of fuel.

The situation will be made more acute this fall when additional vocational training courses are opened in the city.

The minimum demand should be that the fifty houses now being built and the additional fifty should be completed with the least possible delay. Wartime Housing Limited has priorities, but apparently these have been used for materials for houses in other cities.

I bring this to the attention of the minister, of the government and of those in charge of this particular project so that there may be some stepping-up of the completion of these houses for the benefit of the 275 families of returned men in Prince Albert. I also believe that the budget brings no peace or contentment to these 275 families. I have quoted and read at some length to place these matters before the house because, as I said in the beginning, Prince Albert feels that it has been neglected too long. I might add that now that the Prime Minister (Mr. Mackenzie King) has found safe retirement in the vales of Glengarry he need not have any scruples or reluctance in seeing that Prince Albert receives just and fair treatment from his government after these long years of hopeful waiting.

I should like to thank the Minister of Mines and Resources (Mr. Glen) and the Postmaster General (Mr. Bertrand) on behalf of my constituents for the intended improvements to the national park and postal facilities. These improvements are long overdue. Nevertheless they are gratefully appreciated.

In conclusion, may I say, as I said at the beginning, that I am supporting the amendment to the amendment because I am satisfied that by far the greater majority of my constituents of every political affiliation from the farms, villages and cities find very little comfort or peace of mind in the budget now before the house, and that from their reaction I gather that the words of the amendment as proposed to be amended express their feelings when it says in particular:

That the budget does not provide for tax reductions in the calendar year 1946 by raising sufficiently the exemptions of those in the lower income brackets;

That the budget fails to provide for the investment of public funds to bridge the gap be-

tween anticipated private investment and the total national investment required to assure a high national income and full employment;

That the budget fails in the new offer to the provinces to provide for social security measures which will achieve a reasonable standard of economic security for all Canadians;

That the budget fails in its tax proposals to recognize the principle that cooperatives are non-profit-making organizations.

Mr. FREDERIC DORION (Charlevoix-Saguenay): (Translation): Mr. Speaker, I shall confine the brief remarks I wish to make in connection with this debate to a few features of the speech delivered by the Right Hon. the Minister of Finance (Mr. Ilsley).

However, before dealing with the problems I intend to discuss, I wish to mention an event which, to my mind, deserves to be stressed, I mean the appointment of the Right Hon. the Minister of Justice (Mr. St. Laurent) as acting prime minister.

That choice made by the Prime Minister (Mr. Mackenzie King) has been unanimously applauded by the house and I am sure of voicing the opinion of my Quebec fellow-citizens in tendering the Minister of Justice my heartiest congratulations.

I am convinced that his Quebec compatriots and especially his Quebec East electors have been pleased to note once again that he enjoys the esteem and the confidence of his colleagues. Even though one may not share his political views, one cannot but recognize his great dignity and his perfect integrity and it must be admitted that he is a credit to his French-Canadian fellow-citizens, in his public life as well as in his professional capacity; to a lawyer, this is always a prime consideration.

However, I wonder whether the pleasure felt by the people of Quebec at this announcement will suffice to erase the impression of pronounced uneasiness created by the speech delivered on June 18, by the Right Hon. the Minister of Justice in the debate on redistribution. I am sorry he is not present at this time, but I hope he will hear from this and will have some remarks to make on the subject.

Referring to *Hansard* of June 18, I quote the following from the speech delivered by the Minister of Justice:

The hon. member for Calgary West asked, what about section 133, which provides:

Either the English or the French language may be used by any person in the debates of the houses of parliament of Canada and of the houses of the legislature of Quebec; and both those languages shall be used in the respective records and journals of those houses.

Mr. SPEAKER: Order! I regret to interrupt the hon. member but he may not refer to a previous debate.

Mr. DORION: I am not referring to the debate. If I am not allowed to read from the record the exact words of the Minister of Justice, I am at least entitled to say this: on June 18 last, the right hon. gentleman stated that parliament could forbid the use of the French language in the debates of this house and the Quebec legislature. This statement has dismayed and deeply disturbed our people.

Mr. SPEAKER: Order! I called the hon. member to order a moment ago, not only because it is forbidden to read speeches made during a previous debate but also because it is not permitted to debate a motion which nas been carried or defeated in the same session. I must call his attention to standing order 41 and paragraph 293, sub-paragraph (a) of Beauchesne's Parliamentary Rules and Forms, second edition:

(Text):

(a) refer to any debate of the same session on any question not then under discussion . . .

(Translation):

Mr. DORION: Mr. Speaker. Are you referring to standing order No. 41?

Mr. SPEAKER: I have referred the hon. member to standing order No. 41, entitled "Decorum in Debate."

(Text):

In Beauchesne's Rules and Forms, second edition, citation 293 states:

Besides the prohibitions contained in this standing order, it has been sanctioned by usage both in England and in Canada, that a member, while speaking, must not:

(a) refer to any debate of the same session on any question not then under discussion . . .

(Translation):

The hon. member is referring to a previous debate, which is contrary to the standing orders of the house.

(Text):

Mr. MACKENZIE: Would my hon. friend permit me to intervene for a moment?

Mr. DORION: With pleasure.

INDUSTRIAL RELATIONS

COMMITTEE EMPOWERED TO INVESTIGATE CAUSES OF INDUSTRIAL UNREST

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs): I have a motion I should like to have passed, but it requires unanimous-

consent; and if it is adopted the committee on industrial relations will meet at ten o'clock this evening. The motion is:

That the committee on industrial relations be directed and empowered to investigate immediately all issues connected with and appertaining to the present industrial unrest in Canada, with power to call for and examine witnesses under oath, and with power to send for persons, papers and records, and to take all essential evidence, and to report their findings and conclusions to the house. And that the committee be empowered to sit while the house is sitting, and that the committee be further empowered to employ counsel to assist them in their deliberations.

Motion agreed to.

Mr. MACKENZIE: Thank you very much indeed. The committee will meet at ten o'clock this evening. I want to thank my hon. friend for his kindness in allowing me to intervene.

THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed consideration of the motion of Right Hon. J. L. Ilsley (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Macdonnell, and the amendment to the amendment of Mr. MacInnis.

(Translation):

Mr. DORION: Of course, Mr. Speaker, I accept your ruling. With no thought of referring to any previous debate of this session, I merely wished to comment briefly on a section of the British North America Act. It is section 133, which reads as follows:

Either the English or the French language may be used by any person in the debates of the houses of parliament of Canada and of the houses of the legislature of Quebec; and both those languages shall be used in the respective records and journals of those houses; and either of those languages may be used by any person or in any pleading or process in or issuing from any court of Canada established under this Act, and in or from all or any of the courts of Quebec.

The Acts of the parliament of Canada and of the legislature of Quebec shall be printed and published in both those languages.

I maintain, Mr. Speaker, that even those who hold the view that the constitution may be amended without consulting the provinces must admit—and I except no one—that there are sections of the British North America Act which cannot be modified without the previous consent of one or several of the provinces whenever such province or provinces are directly concerned by the provision whose modification is contemplated. Now section 133 specially and directly concerns the province of Quebec. It deals with the debates in the legislature of Quebec and with proceedings in the courts of that province. The claim that this house could amend this section would mean that the dominion parliament could compel members of the Quebec legislature to carry on their debates in the English language. The mere thought of it is so extraordinary that it verges on the absurd. Now, I have never seen any absurdity sanctioned by law and this argument is very often set forth in all courts of justice.

Mr. Speaker, there have been occasions, since 1760, where the French Canadian have had to complain of the treatment meted out to them in this country. In references to the settlement of past problems, the impression is often conveyed that all difficulties were adjusted through the magnanimity of the masters of the time.

If controversies arising out of the language and the rights of French Canadians were solved in former days it is mostly because French-Canadian representatives, either in the Union Parliament which lasted from 1840 to 1867 or afterwards insisted upon and demanded the recognition of our rights. I recall no chapter in history more inspiring than that which relates the 1842 session of the Union Parliament, when Louis Hippolyte Lafontaine took his seat as a member. The events to which I have just referred are narrated in page 36 of Hon. L. O. David's book "L'Union des deux Canadas." As I said a moment ago, these happenings occurred in 1842, and the excerpt reads as follows:

When the Hon. Denis Benjamin Viger had concluded his eloquent speech, Mr. Lafontaine took the floor.

A tremor of curiosity passed through the house and galleries as Mr. Lafontaine rose; people wished to see and hear the man whose name, for some time past, carried so much weight. For many, however, curiosity gave way to surprise and disappointment when he addressed himself to the chairman of the house in French. Mr. Dunn having asked him to speak in English, he answered:

"Has the hon. member forgotten that I belong to the nationality which was the object of such unfair discrimination by the Act of Union? He asks me to use for my maiden speech in this house a language other than my mother tongue. I am diffident about my ability to express myself in the English language, but even if I spoke it as fluently as an Englishman, I would nonetheless make my first speech in the tongue of my French-Canadian fellow-countrymen, were it only to protest solemnly against the cruel injustice perpetuated in that part of the Act of Union which tends to outlaw the mother tongue of half of Canada's population. This much I owe to my fellow-countrymen, this much I owe to myself."

As a result of this just, bold and courageous demand of Louis Hippolyte Lafontaine, in 1842, two years later, that is in 1844, the Canadian government requested an amendment to the Union Act to allow its citizens to express themselves in the French language in this parliament.

For this reason, I claim that it is absolutely true, in this circumstance as in all others, that the language and privileges of French Canadians have been recognized, mostly, if not entirely as a result of the efforts of our forefathers.

Reverting now to the matter under discussion, the budget, I consider it to be neither a literary work nor a problem in higher mathematics to be discussed by scientists or financial experts. It must be remembered that it is submitted to the people of the country. This is why I shall endeavour to express the views of the average taxpayer whose yearly income does not exceed a few thousand dollars and who belongs to the group making up at least 90 per cent of the total population of Canada. He, and he alone, the average taxpayer, should be the object of our thoughts, for what good are a few score millionaires when 90 per cent of our people are destitute?

For an appraisal of the policy we mean to adopt, we must therefore turn to the average taxpayer who cannot count on accumulating wealth, even if he wanted to, for it is known that a fervent aspiration of mankind is to set aside a certain amount of savings for the peace and comfort of old age. But no one will deny that, because he is burdened with the ever-growing responsibilities brought on by the high cost of living, the average taxpayer is now denied this legitimate ambition.

All the average taxpayer can now hope for, all he can demand, is to live comfortably, to marry and be in a position to allow his wife and children to have a comfortable life, free them from hardship and too much denial. He is the one therefore, who has first claim on the assistance of the government.

I have no fear for the rich and the mighty for experience has shown that, even in the worst depressions, they manage to get by and have the means to do so. See what is happening in the war-torn countries of Europe, in the grip of famine and of the black market. We all realize that the poor are still those who suffer and die. The moneyed classes manage very well.

I admit that low wage earners are somewhat relieved of income tax by the budget proposals, but these reductions are insufficient and do not live up to the average taxpayers' expectations. Exemptions should have been fixed at $1,000 for single persons and $2,500 for married persons. Other considerations than income tax must be taken into account. No one can deny that practically all taxes eventually press upon the consumers and the mass of the people.

In order to provide his family with food, clothing and living quarters, the ordinary taxpare pays so much more for these necessities of life as the higher taxes levied on the merchant, the manufacturer or the landlord raise the price of goods and the rent of buildings.

That is why the average taxpayer is directly concerned not only with the part of his revenue collected by the government but with the total taxes making up the national revenue. What stands out in the budget is the enormous debt of the country, a debt which is constantly increasing and may never stop increasing, to a point that we must pay nearly $500 millions in interest, a burden which will fall upon the taxpayer. Our enormous debt has resulted from the extravagant expenditures of the last few years when the government led us to think that our war effort was to be reflected by the amount of our expenditures, whether they be justified or not.

It is not my intention to discuss again the question of our participation in the war; this is neither the right moment nor the right occasion. However, now that the war is over, we have the right to ask ourselves what have been the results of the sacrifices that we imposed upon ourselves during the past six years, and we also have the right to examine the consequences of the policy followed by this government throughout those years. We were told that we were fighting to save civilization. Will anyone contend that civilization, which we sought to defend, is not at the present time in as great, if not greater, danger than in 1939? Will anyone contend that the sacrifices and hardships which we have endured in the last few years have brought us that peace and tranquility which we were looking forward to? Is it not true that the world situation is to-day just as insecure as it was prior to the war? This is the thought which is in the mind of the taxpayer when he is required to pay heavy taxes in order to meet the enormous war debt. If at least he could think that the sacrifices which he has made and which he is still being asked to make were of some use. On the contrary, he is being made the target for an ever increasing amount of pernicious propaganda. He feels surrounded, almost smothered, by communistic propaganda whose object is to provoke here as elsewhere internal difficulties which will weaken nations and make them an easy prey for the monster which threatens the world at present.

May I recall an incident which took place in Quebec about three weeks ago. We were having the visit of a Belgian officer who had been a prisoner in the notorious and hellish Dachau concentration camp, from which only about ten per cent of the inmates came out alive. That Belgian officer came to this country to raise funds on behalf of the Belgian war orphans. After relating the hardships which he had to endure in the Dachau camp, he spoke of the communistic propaganda being carried out at the present time in his own country as well as in France, and of the means used to spread this subversive doctrine in those two countries. In conclusion he could not help exclaiming: "As you know, there were two monsters in Europe. We have destroyed one and we are now wondering if we have destroyed the worse one."

We have abundant evidence of this pernicious propaganda here in Canada. I only have to refer to the report of the Kellock-Taschereau investigation which was tabled yesterday in this house. May I refer to an item which appeared in *Le Droit* of Ottawa, on the 11th instant.

It is a dispatch from Regina, Saskatchewan, which reads as follows:

His Excellency Archbishop P. J. Monahan, of Regina, has urged the delegates to the convention of the Saskatchewan French-Canadian Association, as well as the delegates of the French Canadian School Trustees Association and those of the Catholic School Trustees Association, meeting jointly, in the basement of Holy Rosary cathedral, at Regina, to oppose with the utmost energy the Cooperative Commonwealth Federation government's policy, which consists in appointing men who are publicly recognized as communists to high positions in the field of teaching and education in Saskatchewan.

"One of the greatest dangers which threaten democracy and all minorities, said His Excellency, is communism. To-day the greatest enemy of society, of religion and of Canada, he added, is communism. It is my duty, the archbishop continued, and it is your duty, as school trustees, to direct open protests to the prime minister and the other ministers of the Saskatchewan government, against the appointment of men who are not acceptable to us and whose philosophy is a danger to adult education in this province.

Now, at this time when we feel much concern, as we might as well admit, we must nevertheless note that during the war, notwithstanding the sufferings, and the hardships that necessarily accompany this scourge of mankind, some people have succeeded, in this country, in accumulating wealth for more than $12,000,000,000, and we must now pay them a tribute of many millions a year in the form of interests, in recognition of the ability they showed, when, at a time when our soldiers were being killed, those people were accumulating dominion bonds. Mr. Speaker, no one had the right to make money out of the war.

To-day, in order to give some relief to the taxpayers, to do them the most elementary justice, the government should have the courage to restore the balance in demanding the return to the common fund, that is to the state, of at least part of the wealth that was accumulated during the war. Instead of that, new sources of income are sought and, as the taxation field is almost totally covered already, organizations such as cooperative associations, which should always have remained exempted, are brought under the fiscal measures.

I do not intend to delve deeply into the matter of taxation of cooperatives as proposed, for we shall have another opportunity of dealing with this question when the budget resolutions are submitted to us.

I shall be content to state that, to my mind, the principle of taxing these associations is opposed to the proper management of public affairs.

Indeed, it is generally admitted, to-day more than ever, that one of the foremost duties of any government, is to prevent, by all means at their disposal, that our people be led into reactionary movements.

I submit that the best way to ensure our population against the dangers of supporting subversive doctrines, is to give them the means and opportunity of acquiring a measure of wealth and becoming landowners.

Since it is difficult if not entirely impossible to conceive of all citizens individually acquiring property, we may, as an alternative, encourage them to joint ownership; such is the function of cooperative societies.

To my mind, therefore, the fact that cooperatives are organized and carry on remains one of the strongest ramparts for society in general against the increasingly dangerous tide of communistic ideologies.

The budget, however, ignores this principle; that is why, among several other reasons, I cannot approve the financial scheme as it was brought before us.

In support of this contention, I take the liberty of setting forth a piece of evidence which I consider noteworthy. About two weeks ago, while listening to a newscast, I heard that the new French minister of food, passing through Washington, was on his way back home. Asked how he intended to deal with the crisis which is rife in France, as it is all over Europe, the French minister of food, Mr. Yves Farge, stated that he had definitely resolved to fight the black market relentlessly

and that the expansion of cooperative societies in his country would provide the best means of putting teeth into his campaign.

It may be claimed that some cooperatives have, to a greater or lesser degree, become joint stock companies; that may be so, in certain cases, but we should have differentiated among the various types of cooperatives. I know, for instance, that in my riding, only two varieties are represented; they are the farmers' and fishermen's co-operatives. I am also convinced that these have never pocketed any real profits; if they set aside reserve funds, their savings will be applied to the purchase of required farm machinery or fishing tackle which they lack and will use on a joint basis. This is also true of fishermen's co-operatives which also happen to put aside small savings, but no one could call it a reserve fund since the few hundred dollars which they save and which will be used to buy the necessary fishing gear. That is why I say that in taxing those reserves we are not taxing capital but the savings of the co-operator. That is how I happen to know that this plan is causing justified resentment in the province of Quebec, and besides it is not the sole cause of discontent.

When for instance we realize how federal affairs are being managed and consider the status of French Canadians in the civil service, we can easily see that our people very often have good cause to complain of the way they are treated. Thus statistics will show that in 1918, before the creation of the Civil Service Commission under the federal administration, the proportion of French Canadian civil servants amounted to 21·58 per cent while in 1946 the proportion was down to 12·25 per cent. What is worse, with respect to salaries of $6,000 or more a year ,the proportion of French Canadians fell from 25 per cent in 1918 to 9·52 per cent in 1946. According to a return which was tabled in the house at my request, out of 37 employees holding a rank comparable to that of deputy minister—indeed there is not a single full-fledged French Canadian deputy minister—5 only are French-Canadians.

Among the deputy ministers and those holding a rank comparable to that of deputy minister, one gets $15,000, four $12,000, fourteen $10,000, seven $9,000 and eleven $8,000 or less. Of course the five French Canadians who appear on that list fall in the last class, those receiving $8,000 or less.

The Prime Minister has tabled to-day the report of the royal commission investigating civil service conditions. Although I did not have time to read the whole report, I glanced through the summary of the recommendations appearing in the first part of the report. I have failed to find any remedy to this situation which was forcefully outlined to that commission by the chamber of commerce of the district of Montreal. In this connection I wish to endorse the conclusions reached in a splendid report prepared by the latter, which was submitted to the commission in April, 1946.

It is not only the civil service, Mr. Speaker, that French Canadians are complaining about. For instance, in Quebec, in the district and city of Quebec, there are many unemployed for whom jobs will have to be found shortly. At Quebec there are thousands of unemployed who, at the present time are drawing unemployment benefits, but before long they will be without means of providing a living for their family. On the other hand, in Quebec, there are large plants, namely that of St. Malo, for instance, for which the country spent millions of dollars, that are now absolutely idle; at the same time we are receiving letters from farmers in our constituencies requesting our help in securing farm implements which they badly need, and contractors complain that they are unable to obtain building materials.

What is lacking then? The plants are owned by the dominion government and it would be easy for them to take the necessary steps in order to put them into operation and manufacture farm implements or building materials which are so urgently needed, and at the same time provide work for the unemployed.

I am no socialist, far from it. I have said before and I repeat that I am in favour of private enterprise, but when it has failed, it seems to me that it is up to government authorities to organize an industry, the need of which is admitted by everyone.

Another complaint against the federal government concerns the inactivity of Quebec harbour. It is generally recognized that since the control of national harbours has been centralized, the Quebec harbour is noted for its idleness by river travellers. In days gone by, as everyone knows, the harbour at Quebec was always doing big business and I well remember the time when the Quebec harbour commission employed many Quebec workers. If the Quebec harbour were to regain its former animation, I am convinced that the labour problem could be very easily solved in the city itself as well as in the whole district.

At present, the Quebec harbour is altogether idle. I am quoting statistics for the year 1943, published in the 1945 Canada Year Book which are, I believe, the latest available. On page 696, I find that in that year, 177 ships entered the Quebec harbour while 720 docked at Halifax, 593 at St. John's, 123 at Trois-Rivières, that is, almost as many as at Quebec, and so on. This is conclusive evidence that as long as the harbour administration is controlled by this central commission in Ottawa, the Quebec harbour will remain idle and Quebec workers unemployed.

The government might undertake quite a few work programmes in my riding, for the constituency of Charlevoix-Saguenay is known as the largest in the dominion. It extends on the north shore of the St. Lawrence river for 900 miles, from Quebec city to Blanc-Sablon in the strait of Belle-Isle. Of all necessity, means of communication should be provided to allow people in that vast district to get in touch with the outside. What we need most there is wharves and protective works, and it is obvious that we would have to do twenty times more than is being done at present. When our people consider the gifts of millions of dollars made to foreign countries—indeed I have always considered the loan which was made as a gift—while at home our people, our fishermen and our farmers, are awaiting various projects and the building of means of communication which would enable them to sell their products, I say that those people have reason to be dissatisfied and to protest against this state of affairs.

I trust therefore that the situation will be remedied so that these people may get the means of communication which are so urgently required.

There is another point to which I would only refer in passing, the offer to the various provinces contained in the budget speech. Obviously everyone regrets the failure of the dominion-provincial conference; everyone hopes that it will be resumed and that a fair agreement will be reached in the best interests of the country and of the provinces. But in this connection it must be remembered that if we may hold views on the position taken by the dominion government and that taken by the provinces, the people of Canada are entitled to their own opinions regarding dominion-provincial relations. I wish to recall to the government that a by-election was held recently in the constituency of Compton and that the people there were called upon to approve the position taken by the dominion government and that taken by the Prime Minister of Quebec. We all know the result. The voters of that constituency, which includes both French and English speaking citizens, endorsed by an overwhelming majority the attitude of the Prime Minister of Quebec.

Mr. SPEAKER: The hon. member has already spoken for forty minutes.

Mr. WILFRID LaCROIX (Quebec-Montmorency): Mr. Speaker, I do not intend to speak at any great length, but I deem it my duty to rise in this house in order to submit to the Right Hon. the Minister of Finance (Mr. Ilsley) a resolution that was passed at a meeting which I attended. It reads as follows:

Resolution passed at a meeting held in the parish hall of St. Grégoire de Montmorency, on June 10, 1946, which was attended by the federal member of the constituency, Mr. Wilfrid LaCroix, and more than 200 directors of co-operatives and credit unions of the district.

Mr. SPEAKER: Could the hon. member speak louder?

Mr. GAUTHIER (Portneuf): Louder.

Mr. LaCROIX: The authorities of the House of Commons should rather improve the acoustics. I intend to speak in the same tone.

Whereas cooperatives are not profit-seeking undertakings but rather service organizations;

Whereas cooperatives are now a powerful factor of economic stability and social peace;

It is moved by Mr. Léo Lessard, president of the Loretteville cooperative, and seconded by Mr. Ernest Fiset, president of the Ancienne Lorette cooperative, and unanimously resolved:

1. That the federal member for Quebec-Montmorency constituency, Mr. Wilfrid LaCroix, be urged vigorously to oppose any new legislation which would bring the cooperative associations under the income tax and especially to oppose taxation of:

(a) patronage dividends either actually paid or credited to members;

(b) reserves of cooperative associations which are absolutely necessary to them for the maintenance of the value of their equipment as recommended by commissioners Arnason and Nadeau;

2. That copies of this resolution be sent to the Right Hon. J. L. Ilsley, Minister of Finance and Right Hon. Louis S. St. Laurent, Minister of Justice.

Passed at Quebec, June 21, 1946,
30 Hebert street,
Quebec, P.Q.

François Jobin,
Secretary of the meeting,

I understand that pressure is being brought to bear on the Right Hon. Minister of Finance, by a large number of hon. members to urge him to accept certain amendments before the resolutions are submitted to the committee.

I gathered from a statement by the Right Hon. Minister of Finance, that patronage divi-

dends will not be subjected to income tax. If I am wrong, I ask him to correct me when he makes his speech to close the debate. I also believe that reserves of cooperative associations will not be subject to taxation provided they are distributed to the membership. I would be delighted to know the views of the right hon. minister on this matter.

Allow me to point out to you, Mr. Speaker, that our co-operative associations are very important, since they are such that they do away with the middleman and establish direct relations between the farmer and the consumer.

The cooperative associations are non-profit organizations, making it possible for the farmers to buy collectively what they need. At home, in the old province of Quebec, they are the only means of fighting trusts, chain stores and large business enterprises.

I believe that the farmer cooperative associations now existing constitute the surest way of ensuring economic independence to our population. I wish to protest strongly against taxation of reserves which are so essential to the maintenance of the value of the equipment of our cooperative associations and also against taxation of patronage dividends either actually paid out or credited to the membership.

We have already met the Right Hon. Minister of Finance on several occasions in this connection and I dare hope he will take into consideration the views of hon. members of both sides of the House who seem unanimous on this matter. Any other course of action would constitute an encouragement to the trusts and would lead our people into the most thorough socialism, so earnestly desired by the C.C.F. party.

Mr. Speaker, may I therefore make a final appeal in this connection to the Right Hon. Minister of Finance? I must also register a strong protest against the fact that the small taxpayer was not granted relief by increased exemptions on small incomes.

May I ask the Right Hon. Minister of Finance that, when those resolutions are submitted to us, he consider granting full tax exemption to all who earn less than $3,000 a year.

I appreciate what difficulties may stand in the way of tax exemptions in view of the many billion-dollar gifts to Great Britain and of certain interest-free loans of other billions. I hope that common sense will finally come into its own and that due regard will be had for the fact that we should first look after our own welfare.

It seems ridiculous to me how Conservative, C.C.F. and Social Credit members, having endorsed billion-dollar gifts to Great Britain and interest-free loans of other billions, should now complain in this house that taxes are too high. They are the ones who, in constantly outbidding the financial policy of the government, drove us into the present chaos.

If the government is to blame, all parties must share equal responsibility for our present plight.

(Text)

Mr. G. H. CASTLEDEN (Yorkton): It had been my intention to devote the forty minutes of my talk on the budget to War Assets Corporation and its workings throughout the past two or three years because, in my opinion, the Minister of Finance (Mr. Ilsley) has missed a great bet. I believe we could wipe out the entire estimated deficit of this year's budget by a proper distribution and proper use of the assets held by Canada at the close of the war and as a result of the sudden cessation of hostilities.

The story has been pretty well told in one of Canada's magazines. There is, for example, the story of an employee of Research Enterprises who tried to buy some of this material after it had been reduced to junk and was told that he could not do so because he was an employee of the concern. A couple of years later he went back to the same man in the same position and asked whether he could buy the same material at a price twice as much as was charged for junk, and he was informed that he could not do so because he was not an employee. There is the story of a typical case of a war veteran and his efforts to obtain machine tools to reestablish himself in his industry. We have the story of War Assets and their 15,000 cars and trucks resold to dealers and manufacturers. There is the example of 48 four-wheel drive trucks which cost the government $11,350, which were sold back to the assemblers or the manufacturers at about $4,801 each and were resold to priority claimers at from $6,800 to $7,200 each. There is the story of an enterprising aeroplane dealer from New York, Charles Babb and Company, who bought 185 Finch aircraft from the Canadian government at a price of $302 each when a private individual had a hard job getting anything. There is a report on how not to buy an aeroplane. I believe another article is going to appear, but at this time I would congratulate the Maclean Publishing Company on the work they are doing in exposing what, in my opinion, is one of the black pages of Canada's war record, and that is War Assets Corporation. I know my own efforts over a couple of years are a story of complete frustration; for I have tried in vain to get questions answered, even on the order paper, and in the committee I have tried to get information, but one is

smothered under an avalanche of words. Big business and the junk dealers are in the saddle, while soldiers, farmers and poor people in need of clothing cannot get hold of any material.

This is part of the price we pay for war. These goods were bought from the manufacturers at high prices, under cost-plus contracts, and another price is being paid to-day, when these goods are denied the Canadian people and, instead, are passing out in the form of junk, leaving the hands of the ordinary trade and getting into the hands of the junk dealers. The price we are paying is tremendous—

The ACTING SPEAKER (Mr. Golding): Order. I would remind the hon. member that that is a matter which is before a committee of the house, and it is not in order to discuss that question now.

Mr. FRASER: Oh, go on.

The ACTING SPEAKER (Mr. Golding): There is no "go on" about it.

Mr. FRASER: I think it is absolutely in order.

The ACTING SPEAKER (Mr. Golding): No; it is not.

Mr. CASTLEDEN: This is a speech on the budget.

The ACTING SPEAKER (Mr. Golding): It is not in order to discuss any matter that is before a special committee of the house. That is a well established rule.

Mr. FRASER: Parliament might as well go home.

The ACTING SPEAKER (Mr. Golding): I would ask the hon. member to withdraw that remark. The rules of the house are clear. If hon. members wish to have the rules changed, that can be done, but we must abide by those rules. I hope the hon. member will withdraw that remark.

Mr. FRASER: I will withdraw it, Mr. Speaker, but I certainly still feel it.

Mr. HANSELL: I am aware, Mr. Speaker, that there is some element of truth in your ruling, but I maintain that if we were to follow that out completely in the budget debate there would be very little that we could speak on, because all committees on all subjects are meeting at the present time. I believe that in a budget debate certain liberties are taken in this respect.

Mr. GRAYDON: May I rise to a point of order? I ask the right to be heard on a point of order, if I may. Do I understand the Speaker's ruling to be that in the budget debate, because a special committee of the house is dealing with war assets corporation, no reference can be made to that subject?

The ACTING SPEAKER (Mr. Golding): That is not a point of order. I am quite sure that every hon. member knows very well the rule which prevents a discussion of any matter that is currently before any special committee. It is a well established rule and I hope the hon. gentleman will abide by it.

Mr. GRAYDON: If that is the case, this is simply a parliamentary blockade—

Mr. FRASER: Absolutely.

Mr. GRAYDON: —so far as the budget is concerned. I am quite sure that no rules of the house were ever intended to be interpreted in the way in which they are now being interpreted by Your Honour, because as the hon. member for Macleod (Mr. Hansell) has so well said, we shall not be able to discuss anything on the budget if a special committee is dealing with any phase of the subject which is under discussion by an hon. member. That applies also to questions on the order paper. One of these days the House of Commons will have to have a showdown with the government with respect to the matters which are referred to special committees. In my opinion there is no justification for such an interpretation. I believe that His Honour himself would be the first one to agree in all fairness, as he has through the years, that it is not fair to the House of Commons to throw the tarpaulin of parliamentary rules over free house discussion in respect of matters which may be for the time being before a committee, and which may not have even been discussed in the committee. At some time we must either alter our rules or adopt a more reasonable interpretation of them.

The ACTING SPEAKER (Mr. Golding): I would say to the hon. member that if hon. members do not wish particular items, such as the war expenditures committee is now dealing with, referred to special committees they can at all times have an opportunity to discuss the matter in the house; but, once the matter has been referred to a special committee, it is not in order to discuss it until the committee has made its report.

Mr. CASTLEDEN: Mr. Speaker, on a point of order, if that rule were carried out in a general discussion of ordinary business in debate it might be all right; but with regard to a budget debate in which opportunity is given to members to discuss any matter before granting money to His Majesty

to carry on government, which is a right that has rested with members of parliament for generations, it should not apply. If Your Honour rules that I cannot speak on war assets, then the same rule would apply to other matters and I would not be permitted to speak on labour, veterans affairs, defence or any other subject. What am I to speak on? If it is Your Honour's ruling that I am not allowed to speak—

Mr. ABBOTT: Why cannot the hon. member speak on defence?

Mr. CASTLEDEN: —on these matters, then I must challenge the ruling.

Mr. HANSELL: The hon. member cannot speak on the budget because the banking and commerce committee is meeting.

Mr. FRASER: We are just gagged and hog-tied.

Mr. CASTLEDEN: I should like your ruling, Mr. Speaker.

The ACTING SPEAKER (Mr. Golding): I should like to call hon. members' attention to citation 303 at page 100 of Beauchesne's Parliamentary Rules and Form, second edition, which reads as follows:

> Until the committee reports, it is irregular to refer to its proceedings in debate in the house. For instance, in the session of 1873, Mr. Huntingdon was proceeding to refer to certain papers and letters relative to an important matter under the consideration of a select committee, but the Speaker decided in accordance with English precedents that they could not be read in the house.

Mr. CASTLEDEN: I was not referring to anything being brought up in the committee.

The ACTING SPEAKER (Mr. Golding): I should like to say to the hon. member that that is my ruling. If the house wishes to permit the hon. member to discuss the matter I am agreeable.

Mr. CASTLEDEN: With unanimous consent.

Mr. GRAYDON: I do not think unanimous consent is needed.

Mr. CASTLEDEN: I had just about finished anyway. I did not think the rule preventing the member from saying anything was to be extended to the budget. I have been trying to get information about War Assets, but I did not think the rule was going to be applied to this extent. I could have spent forty minutes on that particular story which would have brought us up to date on where the present government stands. It would have added to their record of 1944 when the Liberal administration, by order in council, handed over to the Imperial Oil, a subsidiary of the Standard Oil Company, the tremendous oil resources of the Yukon and the Northwest Territories. I could have spent forty minutes of my time on the budget in discussing the matter of farmers' income tax, if it is not before a committee. I could have discussed with the Minister of National Revenue (Mr. McCann) the fact that, although the budget allows a farmer to average his income over a three-year period, it has not yet tackled the problem of the farm income tax, because basically it differs in many ways from the ordinary business proposition. The ordinary business man carries on his work in his little business. He leaves his home and goes to his business place. He hires people to do his work and he is permitted, as deductible from his profits, the income that is paid as wages to those who assist him in earning that income. In the case of the farmer, his wife and children work on the farm, but there is no allowance for wages that might be paid because no wages are paid. The largest army of unpaid workers in Canada are the workers on the farms. To face up to this problem in all fairness, the minister should grant exemption of at least $3,000 for the woman and the family who work on the farm. That would permit the farmer to bring the earnings of the family into equity and make it possible for him to carry on. Something has to be done in that regard to bring back into the minds of the Canadian people the proper place that agriculture has in our economy, to encourage the people to come back into production, to entice the young people particularly to go and work on farms. To-day they do not want to come back to the farms, and something is needed to rectify that situation.

But when the minister completed the reading of that part of his budget dealing with the taxation of cooperatives I recognized at once an attack on the cooperative way of life. After reading the budget through a couple of times, I came to the conclusion that this resolution is designed to go deeper at the roots of the cooperative way of life than would possibly be imagined on first reading. I should like to warn the government that when it sets out to cripple the cooperative movement in Canada and destroy the very basis of the principles of cooperation it is aligning itself against the masses of the people, and putting itself by the side of those who stand in special privileged positions, monopolistic industry, the grain exchange, and so on. Apparently the campaign of the taxpayers' association which must have cost hundreds of thousands of dollars has worked so far as the government is concerned. The minister has started out on a road which

will be filled with thorns. He is on a road which will be filled with opposition. This group to which I belong, the Cooperative Commonwealth Federation, which believes basically in the cooperative way of life, are going to fight with everything they have.

When the budget speech informed us that section 4 (p) of the Income War Tax Act would be repealed we knew that the lid was off. Here is the government, returned by the people in 1945, cutting at the very roots of the cooperative movement, which plays a valuable part in the economic life of all countries. Big business is showing its hand to-day. It is a mailed fist, and it is out to render the cooperative movement in Canada useless as a weapon by which the small man, the person in the lower income group, can protect himself against those who would establish a complete monopoly, either in services or in commodities, and compel the rank and file of the people to pay their price because they can maintain it in scarcity. I charge this government with aiding and abetting that movement. I should like to refer to pages 29 and 30 of the report of the royal commission on cooperatives, where they outline the public interest of cooperatives in the life of any country. The report says:

> The representatives of cooperative associations advanced two main grounds upon which they sought to be freed from tax. They urged, in the first place, that their associations performed certain public services for people in receipt of low incomes which ordinary companies did not attempt, or at least not to the same extent . . . Secondly, it was alleged that they were not profit-making institutions by intention or practice; that their object was to perform services for their members at cost, giving rise to the argument that, in fact, they did not derive profits from their members.

The social and economic advantages to the people of Canada are not small. Again on page 30 they say:

> The commission is in no doubt that the cooperative associations can and do perform services which are valuable not only to their members but redound to the advantage of the community in general. . . In particular, the cooperative form of organization, especially in rural areas, affords an opportunity to individual members of outstanding capacity to obtain an experience in management, administration and leadership which, in the ordinary course of events, they could not obtain in any other way.

Further they say:

> Some representatives of the cooperative associations argued, and it was repeated on many occasions, that the methods of cooperation resting, as they say, upon the self help motif, appealed to and developed a higher set of principles than the individual and purely selfish pursuit of gain.

Cooperation is an essential part of democracy. In Scotland and England, allied with the labour movement the great Scottish and British cooperatives have fought a battle for a hundred years to maintain their existence. Apparently the battle is to be joined here too. In Sweden, in the United States, in Canada, in China, in Denmark and for a while in Germany, progress in almost every country has been in direct proportion to the extent the people have the ability to democratically organize and completely work their cooperative organizations. Is it not a significant fact that when fascism comes in, the ultimate of monopoly enterprise, the first things that have to go in any country are the cooperative movement and the labour movement. Hitler did it in Germany.

Mr. GARDINER: The cooperative movement was operating in Saskatchewan before you ever heard of it.

Mr. CASTLEDEN: We shall talk about that later on. I was there when it was born. I was born there too.

Mr. GARDINER: No new cooperatives have been established there since your day.

Mr. CASTLEDEN: They will have to look out, or this administration will fix them.

Mr. GARDINER: They were all put in by the Liberal party.

Mr. CASTLEDEN: You can go on with your little speech when I am through with mine. I have had enough interruptions for to-night.

Mr. GARDINER: I just wanted that in the middle of your speech, so that it will go out with it.

Mr. CASTLEDEN: I am sure the people of Saskatchewan will appreciate that. The Minister of Finance has used the report of this royal commission as a screen from behind which he can attack the cooperatives. Yet he claims that in general he has followed their recommendations. Where the commission does not recommend that the government go farther, however, the minister goes the rest of the way himself. The hon. member for Swift Current (Mr. Bentley) and the hon. member for Selkirk (Mr. Bryce) have outlined the democratic basis of this great people's movement. They have told the story of the early fight of the grain growers in the west to organize their cooperative movement. Cooperatives are not profit-making organizations. Their purpose is to provide the people who

patronize them, whether producers or consumers, either with commodities at a proper cost, or with services, which services have not been available to them in the past unless they paid exorbitant prices for them. Cooperatives have grown up as the only means whereby the rank and file, the common people, can protect themselves against the vagaries and vicissitudes imposed upon them by those who get control by monopolies.

There are three points with which I want to deal briefly. The first is the legislation passed by the Liberal government in 1930, which this government claims was ambiguous and perhaps doubtful. I am going to point out that in the present legislation the government is striking at the very basis of cooperative principles, and that if this taxation goes through on the basis at present advocated it may not kill but certainly will cripple the cooperative movement and prevent it from growing. I claim further that this government has extremely weak grounds for going after the cooperatives and taxing them retroactively. For that purpose I will refer to the stand of the Liberal party as set out in *Hansard* for May 24, 1930, when the then Minister of Finance, Hon. C. A. Dunning, brought in the legislation. Here is his budget resolution as it appears at page 2505 of *Hansard* for 1930:

2. That the income of cooperative companies and associations be exempt from income tax.

Then at page 2507 I find this discussion:

Mr. Hanson: Does this arise out of the litigation in relation to the wheat pool?
Mr. Dunning: No.
Mr. Hanson: There was litigation, was there not, between the department and the wheat pool over the question of payment of income tax?
Mr. Dunning: Yes.
Mr. Hanson: What was the decision?
Mr. Dunning: It was decided against the department by the Supreme Court of Canada.
Mr. Hanson: That is exactly what I thought was the case. Is the litigation ended?
Mr. Dunning: The litigation is ended.
Mr. Hanson: If that be so, and you have the decision of the highest court of appeal in this country, why the necessity of this legislation?
An hon. Member: There are other cooperatives.
Mr. Hanson: I know, but the principle is there established.
Mr. Dunning: Oh, no; it was a question of contract, and the interpretation of a contract. It did not bear specific relationship to the nature of the organization.

And listen to this, by Mr. Dunning:

The intention here is to exempt bona fide cooperative associations and companies from income tax. I can better discuss the details when the bill is presented, and hon. members will have the proposed sections before them. It is difficult to make a statement when the bill is not before the house, but I may say that a bona fide cooperative organization shall be exempt entirely from the provisions of the Income War Tax Act. I may read what is contained in the bill, although hon. members will understand that the bill cannot be introduced until the resolution has been adopted by the house.

Then he proceeded to read section 4 of the act, which was to be amended by adding thereto the following paragraph, and here is paragraph (p):

(p) The income of farmers', dairymen's, livestockmen's, fruit growers', poultrymen's, fishermen's and other like cooperative companies and associations whether with or without share capital organized and operated on a cooperative basis, which organizations—

(a) market the products of the members or shareholders of such cooperative organizations under an obligation to pay to them the proceeds from the sales on the basis of quantity and quality less necessary expenses and reserves;

(b) purchase supplies and equipment for the use of such members under an obligation to turn such supplies and equipment over to them at cost, plus necessary expenses and reserves.

Such companies and associations may market the produce of, or purchase supplies and equipment for non-members of the company or association provided the value thereof does not exceed 20 per centum of the value of produce, supplies or equipment marketed or purchased for the members or shareholders.

Then followed this statement by Mr. Dunning, and I should like to emphasize it:

That means that any cooperative organization falling within the groups there mentioned or other like groups may do business for its own shareholders provided that the arrangement of the business is to return all proceeds less the necessary reserves and expenses to those who contribute the commodities or, in the second place, in the case of the purchasing association, to those who purchase the goods.

I read this to show the house that what was intended by the legislation was clear beyond doubt. That was the Liberal party in 1930. What has been brought down to-day is a complete reversal of that. At the time the resolution was brought in, there was no question of doubt as to what it was for. There was no question in the house, and no question in the mind of the minister. Still we now have a doubt raised. The matter is not even brought to the courts.

The minister bases his argument upon some pretence that this is ambiguous, and that the intention was not clear. Then we have the commission being set up.

Mr. ILSLEY: On a point of order, it is not in order for one member to say of another that he is basing his action upon pretence. My submission is that it is not in order for one hon. member to say that of another.

Mr. CASTLEDEN: I accept that, and withdraw. The facts herein do not prove that there was any doubt in the mind of the government or the ministry when they put that legislation through.

I will take the report of the commission itself and deal, first, with what the minister says. The minister's statement to the government was carefully phrased in his budget speech, and he gave the impression that what the government was doing was accepting the commission's recommendations. I will point out that in that report and in the recommendations there were statements which are somewhat different from the interpretation one could make of the minister's remarks in the budget.

In effect what he is doing is this: He says, "The commission does not go far enough. We are accepting so much, and we are going the rest of the way ourselves." I think the minister would accept that, because he says in his speech:

> I am now in a position to say that in general the government accepts the commission's report as the basis of its proposals with respect to the taxation of trading cooperatives, credit unions and mutual insurance organizations.
>
> The first recommendation of the commission is that we should repeal section 4 (p) of the Income War Tax Act, the section which was inserted in the act in 1930 to authorize an exemption for specified classes of cooperatives under certain conditions.

Mr. ILSLEY: Right.

Mr. CASTLEDEN: I think they were practically all cooperatives with the exception of those which did more than twenty per cent of business with other organizations.

Mr. ILSLEY: No.

Mr. CASTLEDEN: With that exception—

Mr. ILSLEY: I do not want to interrupt, but the hon. member is making a lot of statements with which I just do not agree.

Mr. CASTLEDEN: I have taken the minister's words right out of *Hansard,* and I shall continue with the rest of it. The minister says further:

> The government accepts this recommendation and, accordingly, proposes that section 4 (p) be repealed.

Mr. ILSLEY: Yes.

Mr. CASTLEDEN: And it continues:

> Apparently the section has little or no value in any case, for whatever the original intention of parliament may have been, the methods of doing business followed by our ordinary types of cooperatives are not such, in the opinion of the law officers of the crown, as to enable them to secure exemption under this section.

Mr. ILSLEY: Right.

Mr. CASTLEDEN: I should like to take the minister back to page 40 of the commission's report. These are their words, in defence of what they said when they were advocating the repeal of section 4 (p). At page 40 we find this:

> In suggesting the repeal of section 4 (p) of the Income War Tax Act, we do in the consciousness that enterprises which are truly cooperative in organization and operation have no need of the exceptive provisions thereof.

Mr. ILSLEY: Right.

Mr. CASTLEDEN: And it continues:

> If they make no profit they are not taxable.

Mr. ILSLEY: That is correct. Nor do we do anything to make them taxable by anything that we are doing here.

Mr. CASTLEDEN: I beg to differ, because I think you do.

Mr. ILSLEY: We certainly do not.

Mr. CASTLEDEN: The commission advocated the repeal of section 4 (p) because they felt that cooperatives do not make a profit.

Mr. ILSLEY: Certain cooperatives do not make a profit. If a cooperative does not make a profit, and if my hon. friend's contention is correct that they do not make a profit—an income within the meaning of the Income War Tax Act—that cooperative is not taxed by anything proposed here.

Mr. CASTLEDEN: But you do not allow them to distribute tax-free dividends, beyond three per cent interest on their capital; is that correct?

Mr. ILSLEY: That is not accurate, no. If a cooperative has no income to begin with, it bears no tax and the three per cent provision does not apply. It has not anything to apply to. It is only if it has an income within the definition of "income" that the three per cent provision has application—if it has profits.

Mr. CASTLEDEN: Are those profits? We maintain they are not.

Mr. ILSLEY: If they are not profits they are not taxable. Let my hon. friend get that through his head.

Mr. CASTLEDEN: All right; in other words, if there is no return, it is not taxable?

Mr. ILSLEY: No "profit".

Mr. CASTLEDEN: I believe the commission could have defined what a cooperative is, and put it on the record. That is one of the difficulties, that there is no accurate definition of a true cooperative.

Mr. ILSLEY: Would you like to have one?

Mr. CASTLEDEN: It requires an act respecting cooperatives on the statute books, so that there would be no dispute about it. If the commission had said that a cooperative is an organization which is operating on the basis of one man, one vote; that it would allocate all its surplus to members in proportion to the business they are doing; that all surpluses must be reported to the government as part of income, and that they do not do more than one-third of their business with non-members, I think we could get a basis upon which to define a true cooperative.

I will say this, that any time a cooperative does business with non-members, and shows a profit, such cooperative—and all cooperatives across Canada—would be quite willing to pay an income tax and a profits tax on such moneys made out of doing business with non-members.

The next step the minister took was one where he went a little farther, because at page 2921 of *Hansard* he says:

> After careful consideration, the government has therefore come to the conclusion that it should accept the commission's recommendation that patronage dividends and similar payments be treated as a deduction from income subject to one relatively minor limitation designed to avoid at least some of the discriminatory effects I have mentioned. The limitation is this: that no company or association shall be able to go so far in its distribution of tax-free patronage dividends as to reduce its taxable income below a reasonable return on capital employed in business.

Mr. ILSLEY: Right.

Mr. CASTLEDEN: You are going to compel them to declare returns on capital. Many cooperatives do not do that.

Mr. ILSLEY: Only if they have income.

Mr. CASTLEDEN: Many of them, although they have income, do not declare any interest on capital.

Mr. ILSLEY: Why?

Mr. CASTLEDEN: Because they do not believe in a return on capital; they do not believe in interest on capital.

Mr. ILSLEY: It would not be to avoid taxation, would it?

Mr. CASTLEDEN: It is not profit. They are not out to get profit.

Mr. ILSLEY: Let my hon. friend get this through his head, if he can, that if there is no profit a cooperative would not be taxable on anything now proposed.

Mr. CASTLEDEN: You define any return as a profit, and a cooperative does not accept that.

Mr. ILSLEY: No, I do not say "any" return is a profit.

Mr. CASTLEDEN: Any "reasonable return" were the words you used. These are the minister's words:

> This reasonable return will be defined as three per cent on the capital employed, including borrowed capital, less the interest paid by the company or association on borrowed capital that is allowed as an expense in the computation of the taxpayer's income.

This compels true cooperatives, which recognize no interest on capital at all, to violate one of their basic principles, namely that they are not operating for profit, and that they are not looking for a return on their capital. They put money into the business whereby they can carry on business and provide themselves with service at cost, without getting a return on money invested.

This is the point I think the minister might find difficulty in understanding, and I do not blame him. Perhaps he does not understand that people can come together and try to do some good for one another without looking for returns for themselves. These people believe that there is some other motive in life than trying to make gain out of somebody else. There is such a thing as doing service to one's fellow man and helping the little fellow who cannot put a great deal together.

Mr. MARTIN: May I point out that there is perhaps no man in this house who knows more about public service than the Minister of Finance (Mr. Ilsley).

Mr. CASTLEDEN: There is not any argument about that. But I would not say that he knows more about cooperatives than other members of the house.

Mr. ILSLEY: This remark is probably not in order, but I have been the recipient of much sympathy because of my ignorance of cooperative principles. Now I thank the hon. gentleman for that sympathy, but I want to say that I think I have been acquainted with cooperatives as long as any person of my age in this house, because when I was growing up we belonged to a cooperative, and I think I know all about it.

Mr. CASTLEDEN: I will accept the minister's word, but I find some difficulty regarding that statement. I should like to ask him if he invited these cooperatives, cooperative unions and the rest of these people around and suggested that there might be some legislation like this which has been brought in to tax cooperatives, and asked them if they thought it was O.K.

Mr. ILSLEY: I have certainly had many conferences with representatives of cooperatives over the last few years. We appointed a royal commission after one of these conferences, and after the report of the royal commission came in we were also in touch with them. But we did not submit the budget to the cooperatives any more than we did to the trade.

Mr. CASTLEDEN: Apparently the minister has also had around him, close to him, some men from the private grain exchange, for the past few years.

Mr. ILSLEY: That is correct; I have had representations from the grain trade and from other private institutions. But it is my duty, I think, to receive representations from Canadian citizens. I think a larger volume came from the cooperatives than from the other element. But I do not refuse to hear representatives from both sides.

Mr. CASTLEDEN: Has the minister any representatives in his department whom he recently borrowed from the grain trade?

Mr. ILSLEY: No.

Mr. CASTLEDEN: In the past five years?

Mr. HARKNESS: It seems to me that the question is not as to who understands most about cooperatives, but who knows best how to mount a soap-box.

Mr. CASTLEDEN: I thank the hon. member very much for the valuable contribution of the Conservative party. I thought he might be kind enough to thank me for permission to make the interruption. I think the worst blow of this set-up is the blow which was aimed in retroactive taxation.

Mr. ILSLEY: What does the hon. gentleman mean by "retroactive taxation"?

Mr. CASTLEDEN: I mean the effect of the budget. The minister says that he is going to apply taxation against the wheat pools in the west. He also stated, as reported in *Hansard,* at page 2923.

> Furthermore, the government is willing to allow as a deduction from taxable income patronage dividends, refunds of excess charges, and similar amounts actually paid in cash by the wheat pools in fiscal years ending in 1942 and 1943, but not in 1944 and 1945.

That is what I mean.

Mr. ILSLEY: It was not applied in the budget, nor is it proposed to have any legislation. The assessment was made years ago. My hon. friend is suggesting that we drop those assessments, discontinue our case, walk out of court. That is what he is proposing.

Mr. CASTLEDEN: No; I would like you to take your case to court.

Mr. ILSLEY: We are just saying, if you want to do it in this other way, all right; but if you do not want to,—

Mr. CASTLEDEN: Why did you assess them in 1944 and 1945?

Mr. ILSLEY: Because we had an opinion of the Department of Justice that they were liable.

Mr. CASTLEDEN: How about the decision of the court? If they had protection under 4(p) from 1930 to 1942 and 1943, they had it in 1944 and 1945.

Mr. ILSLEY: Well, no. The method of business changed greatly, as the hon. gentleman well knows. After 1929 or 1930 the method of business changed completely, and there came a time when the Department of Justice gave the opinion that they were now taxable, whereupon we assessed them, as it was our duty to do in justice to the taxpayers of Canada.

Mr. CASTLEDEN: Were you not challenged?

Mr. ILSLEY: Yes.

Mr. CASTLEDEN: Well, did it go to court?

Mr. ILSLEY: Yes. We are—

Mr. CASTLEDEN: Where is it now?

Mr. ILSLEY: We are in court at the present time.

Mr. SPEAKER: Order. The hon. member has exhausted his time.

An hon. MEMBER: Who exhausted it?

Mr. CASTLEDEN: Mr. Speaker, it is not very often I question—

Some hon. MEMBERS: Time.

Mr. SPEAKER: The hon. member knows perfectly well the rule that an hon. member who has the floor is not interrupted without his permission. He has answered questions; he put questions to the right hon. the minister, and whenever the minister rose to address the hon. member he asked his permission and the hon. member gave it. He has now exhausted his time.

Mr. CASTLEDEN: Mr. Speaker, on a point of order, I should like to point out that at the beginning of my speech ten minutes were lost over your ruling.

Mr. SPEAKER: I have said already that the hon. member has exhausted his time. Moreover, I must call to the attention of the hon.

member that we are not in committee and I should not have permitted a debate like the one we just had.

Mr. ROSS (St. Paul's): Mr. Speaker, on a point of order—

Some hon. MEMBERS: Order.

Mr. ROSS (St. Paul's): —I do not think the minister or any other member of the house has the right to make speeches during another member's speech. Let us have the rules of debate observed in this house. The minister has no right to make speeches in contradiction of what another hon. members says.

An hon. MEMBER: Who is making a speech now?

Some hon. MEMBERS: Order.

Mr. M. E. McGARRY (Inverness-Richmond): Mr. Speaker, like a great many hon. members who have already spoken, I may say that I did not intend to enter into this debate, but always something arises to incite one to say a few words on an important matter like the bduget. I rise particularly for two reasons, and I can express them in a very short time.

First of all, I wish to associate myself with the hon. gentlemen who have given the Minister of Finance (Mr. Ilsley) such deserved compliments, and I wish to endorse the statements of some hon. members who designated the minister as the best finance minister this dominion has had since the days of confederation. That is one reason why I attempt to say a few words in this debate. Another is to make a few remarks as to what I personally think of this budget.

It is my opinion that it is a matter-of-fact presentation of our financial position. I do not believe that this budget could be expected to be very bright and cheery on account of the awful experience to which the treasury has been subjected. It was encouraging at least to see that the deficit was reduced so substantially from last year, but those who hoped for larger tax reductions were somewhat disappointed. To me it appears that the budget is a forceful reminder to the Canadian people that we have emerged from the most devastating war in history, and while we have achieved victory on the battlefield, we must continue to fight with sacrifice and determination against other dangers which threaten us. Our assumption of obligations in the remaking of the world and our obligations to those who fought for us are important factors in the budget. War was costly and produced only destruction; rehabilitation is costly but will produce good citizens of our land, and in some measure, repay the debt we owe to those who left home and loved ones to endure hardships and face death to protect our way of life.

The finance minister is making another effort to bring about a dominion-provincial conference. If we are ever going to get anywhere, we must face up to our national problems as Canadians, not as citizens of the maritimes, Quebec, Ontario or the west. Therefore we must earnestly hope that these last proposals will result in some amicable agreement between the provinces and the federal government.

The budget contains a clause allowing farmers and fishermen to pay taxes on a three-year average rather than on a single year's operations. It was unfair that a farmer or fisherman, so dependent on nature for success should be taxed on, say a $5,000 income this year if last year he actually lost $3,000. The fairness of this proposal, which has been long discussed here, will, I think, receive general applause.

While the step-up in exemption figures was not as great as was hoped for, it should be kept in mind that our figure here is higher than in the United States, Britain or New Zealand. The exemption limits under the present tax are $660 for single persons and, in effect, $1,200 for married persons. As a major part of the present revision, it is proposed that the exemptions be raised to $750 for single persons, and $1,500 for married persons without dependents. This measure, taken in conjunction with the proposal regarding allowances for dependents, will remove entirely from the income tax roll between 550,000 and 600,000 taxpayers, or about one-quarter of the present number. The proposed exemptions will be in the form of deductions from income in the manner of the pre-war exemptions, and the $1,500 deduction will replace the combined income deduction of $660 and the tax credit of $150 granted to married men under the present law.

Consideration was given by the finance minister to suggestions made by persons who may not be familiar with all the facts, that the exemption limits be raised to $1,000 for single persons and $2,000 for married persons, and even that the exemptions be $1,200 and $2,400 respectively. After careful examination of these and other suggestions, the minister came to the conclusion that exemptions of $750 and $1,500 respectively are as high as can reasonably be proposed under present circumstances.

In the first place, we must still raise very large amounts of revenue. Even if no tax reductions were made, our revenues will fall considerably short of our expenditures and far short of our total financial requirements for the current year. Moreover, there is already a great excess of purchasing power and we must not add unnecessarily to it. In addition to these immediate considerations, we must bear in mind that the government and parliament face a post-war period in which events are likely to move swiftly, and in respect of which we have accepted a large measure of responsibility for maintaining high employment. Under these circumstances we cannot afford to reduce our revenues too drastically.

Second, we are all, I believe, agreed that the income tax is the fairest and best tax on which to rely for the bulk of our revenue. More than any other tax, it takes ability to pay properly into account. We must, I consider, rely upon it as heavily as we can, subject to the limits imposed by its effects on incentive and efficiency. This applies as well in the lower backets as in the higher. We cannot secure proper equity and fair treatment if exemptions from income tax are so high as to exclude most of those receiving incomes. It is just as important to be fair in the distribution of taxation between persons earning $1,500 and $2,400 a year respectively, as it is to be fair in the distribution of taxation between these persons and those earning $5,000 or $10,000 a year. I have said that we cannot afford to reduce our revenues beyond reasonable figures. In these circumstances, if we raised unreasonably the exemptions for the income tax, or lowered the rates of income tax too drastically, we would only make it necessary to impose other less equitable, even regressive, forms of taxes.

Comparison of our proposed exemptions with those of other countries indicates clearly, I believe, that the figures now proposed are as high as Canada can reasonably go. The suggested exemption of $750 for the single person compares with one of $700 in Australia and New Zealand, of $500 in the United States, and of $490 in Britain. Similarly, the proposed exemption of $1,500 for a married person compares with $1,077 in New Zealand, $1,000 in the United States, $931 in Australia and $800 in Britain. In addition, Britain, Australia and New Zealand have substantial social security taxes which apply at much lower levels than the exemptions I have given for income tax alone.

On motion of Mr. McGarry the debate was adjourned.

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

Wednesday, July 17, 1946.

The house met at three o'clock.

COMMITTEES OF THE HOUSE

INDUSTRIAL RELATIONS—CONCURRENCE IN FIRST REPORT

Mr. MAURICE LALONDE (Labelle) presented the first report of the standing committee on industrial relations, and moved that the report be concurred in.

Motion agreed to.

RAILWAYS, CANALS AND TELEGRAPH LINES

Third report of standing committee on railways, canals and telegraph lines.—Mr. Breithaupt.

INDUSTRIAL RELATIONS—CHANGE IN PERSONNEL

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved:

That the name of Mr. Howe be substituted for that of Mr. Brown; that the name of Mr. Beaudoin be substituted for that of Mr. Beaudry; that the name of Mr. Mitchell be substituted for that of Mr. Ferguson and that the name of Charlton be substituted for that of Mr. MacNicol; that the name of Mr. Skey be substituted for that of Mr. Ferguson and that the name of Mr. Adamson be substituted for that of Mr. Daniels on the select standing committee on industrial relations.

Motion agreed to.

PRIVILEGE

MR. FRASER—REJECTION OF QUESTIONS SUBMITTED FOR ORDER PAPER

Mr. G. K. FRASER (Peterborough West): Mr. Speaker, I rise to a question of privilege which affects not only myself but other members of the house. In accordance with the ordinary practice, yesterday I submitted the following questions for the order paper:

1. How many motorcycles have been declared surplus by the Department of National Defence (Army)?

2. What are the departmental numbers of the surplus declaration forms in each case?

3. On what dates were declarations of surplus motorcycles made?

4. How many of these motorcycles have been disposed of through War Assets Corporation?

5. How many of these motorcycles have been disposed of by sale to ex-servicemen in pursuance with the policy which grants them priority of purchase?

6. In what province or provinces are the remainder of these motorcycles now located?

I also submitted the following questions:

1. How many motorcycles have been declared surplus by the Department of National Defence for Air?

2. What are the departmental numbers of the surplus declaration forms in each case?
3. On what dates were declarations of surplus motorcycles made.
4. How many of these motorcycles have been disposed of through War Assets Corporation?
5. How many of these motorcycles have been disposed of by sale to ex-servicemen, in pursuance of the policy which grants then priority of purchase?
6. In what province or provinces are the remainder of these motorcycles now located?

I had other questions in regard to this matter—

Mr. SPEAKER: Order.

Mr. FRASER: I shall not read them at present. These questions were returned to me last night with a notation that questions dealing with War Assets cannot be placed on the order paper while the special committee on expenditures and economies is still sitting. I am not a member of that committee and am therefore not permitted to participate in its deliberations. If I am to be blocked in my move to place questions on the order paper on behalf of my constituents, then my rights and privileges as a private member of this house are in my opinion being seriously interfered with. I therefore ask you, Mr. Speaker, to rule that not only I but all members of parliament shall have the right to seek information through the normal channels of the house, and that the questions which I have just read, and the other questions I have here, be permitted to appear on the order paper and be answered in the ordinary way.

Mr. SPEAKER: I have noted the observations made by the hon. member, and I shall give him an answer later.

INCOME TAX

AGREEMENT BETWEEN CANADA AND THE UNITED KINGDOM—AVOIDANCE OF DOUBLE TAXATION

Hon. J. J. McCANN (Minister of National Revenue) moved for leave to introduce Bill No. 300, respecting an income tax agreement between Canada and the United Kingdom, signed at London, in England, on the fifth day of June, 1946.

Right Hon. W. L. MACKENZIE KING (Prime Minister): The Minister of National Revenue will, in my absence, be in charge of this bill, and the following one, and I would ask him to give the house the necessary explanation.

Mr. McCANN: The purpose of this bill is to give legal effect in Canada to the income tax agreement between Canada and the United Kingdom which was signed in London on June 5, 1946. The purpose of the agreement is to avoid double taxation in respect of trading profits and dividend, interest and royalty payments flowing between the United Kingdom and Canada. It systematizes taxation imposed on other types of income including salaries, pensions and annuities which might be taxable in both countries. Provision is made for each government to credit its nationals for taxes paid to the other and for the exchange of information.

Mr. HACKETT: Does this apply to succession duties?

Mr. McCANN: No; the next bill does.

Motion agreed to and bill read the first time.

SUCCESSION DUTIES

AGREEMENT BETWEEN CANADA AND THE UNITED KINGDOM—AVOIDANCE OF DOUBLE TAXATION

Hon. J. J. McCANN (Minister of National Revenue) moved for leave to introduce Bill No. 301, respecting a succession duty agreement between Canada and the United Kingdom, signed at London, in England, on the fifth day of June, 1946.

Some hon. MEMBERS: Explain.

Mr. McCANN: The purpose of this bill is to give legal effect in Canada to the succession duties agreement between the United Kingdom and Canada, which was signed in London on June 5, 1946. The purpose of the agreement is to avoid double taxation on the estates of deceased persons with interests in the two countries. The agreement provides that the situs of the property of the decedent will be determined in large measure by the general law of situs. The convention systematizes the taxing rights of the country of domicile and the country of non-domicile. The agreement also provides within certain limits for the crediting by the country of domicile of taxes paid on estates situated in the country of non-domicile and for the exchange of information for the avoidance of fraud.

Motion agreed to and bill read the first time.

MERCHANT SEAMEN

PROVISION FOR PAYMENT OF WORKMEN'S COMPENSATION BENEFITS

Hon. LIONEL CHEVRIER (Minister of Transport) moved for leave to introduce Bill No. 302, respecting compensation for merchant seamen.

Some hon. MEMBERS: Explain.

Mr. CHEVRIER: The object of this bill is to make statutory provision for the payment of workmen's compensation to merchant seamen, particularly those employed on ships engaged in foreign trade as well as those plying in home waters, and more particularly those not now covered by provincial legislation. The principle of workmen's compensation has been recognized in the Government Employees' Compensation Act, 1925, and that principle was extended during the war years to cover war workers and other groups. On August 1, 1945, it was extended by order in council to cover merchant seamen. The object of this bill is to give statutory authority to those regulations, which are now in force.

Mr. BROOKS: Has this anything to do with gratuities and reestablishment credits for seamen who served during the war?

Mr. CHEVRIER: Nothing at all.

Motion agreed to and bill read the first time.

CRIMINAL CODE

JURORS IN CRIMINAL CASES IN SASKATCHEWAN AND ALBERTA

Right Hon. L. S. ST. LAURENT (Minister of Justice) moved for leave to introduce bill No. 303, to amend the criminal code.

Some hon. MEMBERS: Explain.

Mr. ST. LAURENT: There are only two points dealt with in this bill. One is to establish for Saskatchewan, at the request of the attorney general of that province, that the jury to try indictments will consist of twelve persons instead of six as heretofore. The second is to implement my undertaking to the hon. member for Calgary West (Mr. Smith) to ask the house at this session to deal with the situation in respect of jurors in criminal cases in the province of Alberta. Heretofore the matter was regulated by the terms of the Northwest Territories Act, as it existed in 1905. It is proposed that it shall now be regulated by the code, but that so long as Alberta retains a system of six jurors instead of twelve, the number of persons called who may be challenged peremptorily and the number of those who may be requested to stand aside by the crown shall be half the number which prevails when a jury is to be made up of twelve persons.

Motion agreed to and bill read the first time.

NATIONAL DEFENCE ACT

AMENDMENT RESPECTING PROVISION FOR MINISTERS AND DEPUTY MINISTERS

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved for leave to introduce bill No. 304, to amend the Department of National Defence Act.

He said: Mr. Speaker, this bill is necessitated by changes which will have to be made in the Department of National Defence Act, as it was amended to meet the situation which arose during the time of war. Now that the war is over, other provisions will have to replace those inserted during the war.

Before the war, the Department of National Defence was an administrative as well as a legal unit. However, early in the war, it was found that the magnitude of the problems that faced the defence services necessitated an administrative division of the department into three parts to look after the needs of the army, the navy and the air force respectively. This was made possible by an amendment to the Department of National Defence Act in 1940, which provided for the appointment of an Associate Minister of National Defence, a Minister of National Defence for Naval Services, and a Minister of National Defence for Air. It similarly provided for additional deputy ministers.

The need for the present bill arises mainly out of the fact that the 1940 amendment limited the provision for the appointment of additional ministers and deputy ministers to the period after the issuance of a proclamation under the War Measures Act to the effect that a state of "war, invasion or insurrection" exists. In addition, it is provided that the department must revert to its unitary condition within six months after a proclamation stating that "the war, invasion or insurrection no longer exists." While the need for division of the department is most likely to arise in time of war or of acute danger of war, nevertheless it may, on occasion, be found desirable to have such division of the department for purely administrative or other reasons. The present bill accordingly removes the restrictions which I have referred to.

Another effect of the present bill will be to enable additional deputy ministers of national defence to function even though it is not felt desirable to appoint more than one minister. This is not possible under the act as it stands at present.

QUESTIONS

(Questions answered orally are indicated by an asterisk)

FOREIGN EXCHANGE CONTROL—OUTSTANDING CONTRACTS WITH EXPORTERS

Mr. McLURE:

1. At the time when the Canadian dollar was put on a parity basis, how many foreign exchange contracts were outstanding between the Foreign Exchange Control Board and Canadian exporters?

2. What are the names of exporters holding such contracts, and what length of time did each such contract cover?

Mr. MAYHEW:

1. At the time of the recent change in the exchange rate of the Canadian dollar there were 963 forward exchange contracts outstanding between Canadian exporters and Canadian banks acting as authorized dealers of the foreign exchange control board.

2. It is not desirable to disclose the affairs of particular individuals or corporations by giving detailed information regarding the contracts outstanding.

INCOME TAX—AMOUNTS REFUNDABLE UNDER SECTION 93

Mr. DORION:

On what date will the amounts refundable under subsection 1 of section 93 of the Income War Tax Act be payable?

Mr. McCANN: The provisions of the Income War Tax Act require these savings to be refunded as follows: (a) For the taxation year 1942—not later than 31st March 1948; (b) For the taxation year 1943—not later than 31st March 1949; (c) For the taxation year 1944—not later than 31st March 1950.

WHEAT BOARD—1944 CROP YEAR

Mr. CASTLEDEN:

What is the total amount of wheat from the 1944 crop year still held by the Canadian Wheat Board?

Mr. MacKINNON: The wheat in the 1944 crop account is all sold excepting that amount required under order in council to be held by the Canadian wheat board to meet domestic requirements until July 31, 1946, estimated at 3½ million bushels.

OPTOMETRISTS IN PRAIRIE PROVINCES—FEES FOR ARMY SERVICES

Mr. DIEFENBAKER:

1. How many optometrists in Manitoba, Saskatchewan and Alberta received fees from the army for services rendered during each of the years 1940 to 1945, either by way of direct payment or indirectly by deduction from the individual's pay?

2. What are the names of the said optometrists, and how much did each receive during each of the said years?

Mr. LAPOINTE:

1 and 2.

Military District No. 10 (Manitoba)

The number of optometrists who received fees from the army for services rendered was three, during each of the years 1941-45. Information for 1940 is not available. Names and amounts received are as follows:

	1941	1942	1943	1944	1945
S. Z. Grower	$706 63	$ 975 30	$ 627 03	—	—
Consolidated Optical	401 38	—	—	—	—
T. Angus Dunkin	208 16	1,015 33	—	—	—
Charles A. Campbell	—	901 04	3,730 91	3,189 54	$1,480 20
O. G. Snyder	—	—	678 18	354 00	1,020 68
Robert S. Ramsay	—	—	—	1,697 93	4,818 09

Military District No. 12 (Saskatchewan)

The number of optometrists who received fees from the army for services rendered, during the years in question, is as follows:

1940	2	1943	2
1941	3	1944	2
1942	2	1945	Nil

Names and amounts received are as follows:

	1940	1941	1942	1943	1944
George A. McQuaig	$266 00	—	—	—	—
Dr. Hardy and Dr. Armitage	21 34	—	—	—	—
Henry S. Hay	—	$ 278 15	$ 900 31	$3,012 65	$ 692 60
R. E. Whittaker	—	5 00	5 00	—	—
Wm. Forsyth	—	9 00	—	—	—
J. Carment	—	—	—	1 00	—
W. G. Foiler	—	—	—	—	5 00

Military District No. 13 (Alberta)

The number of optometrists who received fees from the army for services rendered during the years in question is as follows:

1940	5	1942	2
1941	3	1943-45	Nil

Names and amounts received are as follows: Amounts shown include fees for the supply of lenses as well as optometrist fees. Itemized figures are not available.

	1940	1941	1942
Consolidated Optical Co.	$1,435 85	$ 495 80	—
Imperial Optical Co.	77 28	69 30	—
J. C. Borud	17 00	—	—
J. A. Toombs	15 00	—	—
Irving Kline	3 00	—	—
E. J. Anderson	—	1,040 20	$ 148 85
A. Ashdown Marshall	—	—	2,542 29

Note: In no cases were officers or soldiers subjected to deduction of pay for eye examination, or supply of glasses.

VETERANS LAND ACT—MIDDLESEX COUNTY

Mr. WHITE (Middlesex East):

1. What is the total cost to date of the twenty-eight Veterans Land Act houses being constructed in London township, and of the seventy-two being constructed in Westminster township, county of Middlesex?

2. What are the annual administration costs for these one hundred homes?

Mr. MACKENZIE:

1. Total construction costs: $407,745.51.

2. Annual administration costs of these houses cannot be segregated from the overall costs of administration.

BROOKLANDS, MAN.—WATER MAINS AND SEWERS

Mr. KNOWLES:

1. Has the Department of Reconstruction and Supply received an application from the village of Brooklands, Manitoba, for assistance in the installation of additional water mains and sewers?

2. Has the government made any offer to the village of Brooklands to contribute to the cost of such installations? If so, to what extent?

3. What is the present status of negotiations between the government and the village of Brooklands with reference to these matters?

Mr. McILRAITH:

1. Yes. At the request of the municipal authorities of Brooklands a resident of the village called on the department in May of this year to find out whether such assistance could be secured.

2. No. However, the representative of the village was informed that in the proposals made to the provinces by the dominion government there was provision for planning and timing grants for such undertakings which, of course, were contingent upon agreement being reached between the dominion and provincial governments. This information was confirmed in a letter dated May 18, 1946.

3. No negotiations are being carried on.

QUESTIONS PASSED AS ORDERS FOR RETURNS

DISTRICT JUDGES IN ADMIRALTY

Mr. BLACK (Cumberland):

1. What are the names of the district judges in admiralty?
2. How much is each judge paid annually for such services?
3. What sum was paid for expenses for each court in the last year?
4. How many writs were issued in each district in each of the last five years?
5. How many trials were there in each district in each of the last five years?

COMMISSIONER OF YUKON TERRITORY

Mr. MacINNIS:

1. Who is the present commissioner of the Yukon territory?
2. When was he appointed?
3. Where is his present residence?
4. Is he required to give his full time to his duties as commissioner?
5. What is his annual salary?
6. Is he granted any other allowance because of his office?

MOTIONS FOR PAPERS

CHATHAM, N.B., AIRPORT

Mr. BLACK (Cumberland):

For a copy of all correspondence since the beginning of the war exchanged between the Department of National Defence for Air, Department of Transport, Department of Munitions and Supply, Department of Reconstruction and Supply, and the town of Chatham, New Brunswick, the county of Northumberland, New Brunswick, the Honourable T. P. Burchill, Lockhart Woodworkers Limited and Miramichi Allied Industries Limited, regarding the utilization of the Chatham, New Brunswick, airport for the establishment of industries.

2. Also a copy of all correspondence, agreements, expense accounts or statements in connection with the disposal by sale or lease or for use for storage purposes of the Chatham, New Brunswick airport and equipment or supplies, by the Crown Assets Allocation Committee and War Assets Corporation.

REGIONAL RECONSTRUCTION COUNCILS—REPORTS TO DEPARTMENT

Mr. GREEN:

For a copy of all reports submitted by regional reconstruction councils to the Department of Reconstruction and Supply or the Department of Reconstruction.

Mr. HOWE: Mr. Speaker, this motion refers to interdepartmental correspondence, which has always been regarded as privileged. I suggest that the motion is out of order.

Mr. GREEN: May I put it to you, Mr. Speaker, and to the Minister of Reconstruction and Supply, that this is a motion for a copy of all reports submitted by regional reconstruction councils to the Department of Reconstruction and Supply. Those are honorary councils serving without remuneration.

Mr. HOWE: There is a paid staff.

Mr. GREEN: There is nothing secret about their activities. Moreover they are representative men from various walks of life in each province. The minister explained the type of work they do when on March 20, as reported at page 115 of *Hansard,* he said:

> It is the work of these councils to keep in touch with conditions in the provinces, to keep the department advised of requirements of materials and requirements of any kind. It is also the duty of the councils to give every assistance to those engaged in reconstruction work in the province.

In other words it is their task to inform the government of requirements in the provinces, and to listen to the submissions made by different groups.

Mr. SPEAKER: Order. These motions are not debatable. I have given the hon. member sufficient latitude to put his question to the minister, but I cannot allow debate.

Mr. GREEN: I submit that this does not come under the rule at all. There is not the slightest possibility that the production of these reports would be contrary to public interest. I would therefore ask that Your Honour put the motion to the house.

The house divided on the motion (Mr. Green) which was negatived on the following division:

YEAS

Messrs:

Archibald	Fulton
Argue	Gagnon
Ashby	Gibson (Comox-Alberni)
Aylesworth	Gillis
Barrett	Graydon
Bentley	Green
Black (Yukon)	Hackett
Blackmore	Hansell
Blair	Harkness
Boucher	Hazen
Bowerman	Henderson
Bracken	Herridge
Bradshaw	Hlynka
Brooks	Homuth
Bryce	Irvine
Burton	Jackman
Campbell	Jaenicke
Cardiff	Jaques
Case	Johnston
Casselman	Knight
Castleden	Knowles
Charlton	Lennard
Church	Lockhart
Coldwell	Low
Coyle	McCuaig
Daniel	McCullough (Assiniboia)
Drope	Macdonnell (Muskoka-Ontario)
Fair	
Fleming	
Fraser	

McGregor
MacInnis
McKay
McLure
MacNicol
Matthews (Kootenay East)
Menary
Merritt
Moore
Nicholson
Pearkes
Power
Probe
Quelch
Robinson (Bruce)
Ross (St. Paul's)
Skey
Smith (Calgary West)
Stephenson
Stirling
Strum, Mrs.
Thatcher
Townley-Smith
Tustin
Webb
White (Hastings-Peterborough)
Wright
Wylie
Zaplitny—86.

NAYS

Messrs:

Abbott
Arsenault
Baker
Beaudoin
Belzile
Benidickson
Bertrand (Laurier)
Bertrand (Prescott)
Black (Chateauguay-Huntingdon)
Blanchette
Boivin
Bonnier
Bourget
Bradette
Bridges
Brown
Chevrier
Claxton
Cloutier
Coté (St. Johns-Iberville-Napierville)
Coté (Verdun)
Croll
Dechene
Denis
Dion (Lake St. John-Roberval)
Dionne (Beauce)
Douglas
Dubois
Eudes
Farquhar
Fournier (Hull)
Fournier (Maisonneuve-Rosemont)
Gariépy
Gauthier (Nipissing)
Gauthier (Portneuf)
Gibson (Hamilton West)
Gingues
Gladstone
Glen
Golding
Gour (Russell)
Gourd (Chapleau)
Hallé
Harris (Grey-Bruce)
Healy
Howe
Ilsley
Jean
Jutras
King, Mackenzie
Kirk
LaCroix
Lafontaine
Lalonde
Langlois
Lapointe
Laurendeau
Lesage
Little
McCann
McCulloch (Pictou)
Macdonald (Halifax)
McDonald (Parry Sound)
McGarry
McIlraith
McIvor
Mackenzie
MacKinnon
MacLean
MacNaught
Maloney
Marier
Martin
Matthews (Brandon)
Mayhew
Mitchell
Mullins
Nixon
Picard
Reid
Richard (Gloucester)
Richard (Ottawa East)
Rinfret
Robinson (Simcoe East)
St. Laurent
Sinclair (Ontario)
Sinclair (Vancouver North)
Sinnott
Tremblay
Viau
Warren
Weir
Whitman
Winkler
Winters—95.

PAIRS

The list of pairs is furnished by the chief whips:

Clark	Desmond
Isnor	Stanfield
Maybank	Diefenbaker
Ross (Hamilton East)	Cockeram
Grant	Kuhl
Tucker	Kidd
Michaud	Ferguson

Mr. MACDONALD (Brantford City): I was paired with the hon. member for London (Mr. Manross). Had I voted I would have voted against the motion.

Mr. BREITHAUPT: I was paired with the hon. member for Danforth (Mr. Harris). Had I voted I would have voted against the motion.

Mr. McCUBBIN: I was paired with the hon. member for Middlesex East (Mr. White). Had I voted I would have voted against the motion.

Mr. LEGER: I was paired with the hon. member for Haldimand (Mr. Senn). Had I voted I would have voted against the motion.

Mr. GARDINER: I was paired with the hon. member for Souris (Mr. Ross). Had I voted I would have voted against the motion.

Mr. RAYMOND (Wright): I was paired with the hon. member for Beauharnois-Laprairie (Mr. Raymond). Had I voted I would have voted against the motion.

Mr. ADAMSON: I was paired with the hon. member for St. James (Mr. Beaudry). Had I voted I would have voted for the motion.

Mr. ROWE: I was paired with the hon. member for Quebec West and South (Mr. Parent). Had I voted I would have voted for the motion.

Mr. BLACK (Cumberland): I was paired with the hon. member for Westmorland (Mr. Emmerson). Had I voted I would have voted for the motion.

Mr. DORION: I was paired with the hon. member for Kamouraska (Mr. Marquis). Had I voted I would have voted for the motion.

Mr. McMASTER: I was paired with the hon. member for Champlain (Mr. Brunelle). Had I voted I would have voted for the motion.

Mr. LACOMBE: I was paired with the hon. member for Terrebonne (Mr. Bertrand). Had I voted I would have voted for the motion.

Mr. MURPHY: I was paired with the hon. member for Charlotte (Mr. Stuart). Had I voted I would have voted for the motion.

MILITIA PENSION ACT

AMENDMENT TO REVISE AND ENLARGE EXISTING PROVISIONS

Hon. DOUGLAS ABBOTT (Minister of National Defence) moved the house go into committee at the next sitting to consider the following resolution:

That it is expedient to bring in a measure to amend the Militia Pension Act to bring up to date the existing provisions of the Act and to provide that time served on active service be included in the pensionable term of service of persons appointed to the permanent force prior to the first of April, 1946; and also to add a new part to the Act, respecting pensions, allowances and gratuities, applicable to all persons joining the permanent force after the 31st of March, 1946, and to those persons coming under the present Act, who may, instead of remaining thereunder, elect to come under the new part.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the consideration of the house.

Motion agreed to.

FEDERAL DISTRICT COMMISSION

PROVISION FOR ADDITIONAL COMMISSIONERS, TRANSFER OF CERTAIN JURISDICTION, AND GRANTING OF MONEYS

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved that the house go into committee at the next sitting to consider the following resolution:

That it is expedient to present a measure to amend the Federal District Commission Act, 1927, to provide for the appointment of fifteen commissioners (in lieu of ten), also for the transfer to the president of the privy council of certain jurisdiction over the commission and to provide further for the granting of moneys by the payment of grants or otherwise, for the purposes of the commission.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the consideration of the house.

Motion agreed to.

OFFICIAL SECRETS ACT

ESPIONAGE—INQUIRY AS TO CERTAIN PERSONS CONNECTED WITH A FOREIGN EMBASSY

On the orders of the day:

Mr. GORDON GRAYDON (Peel): Mr. Speaker, I should like to address a question to the Prime Minister. The final report of the commission on espionage named certain persons connected with the embassy of a foreign

government. I wish to ask the Prime Minister who, if any, of these persons are still here, what is the recognized diplomatic procedure in such cases, and is the government invoking such procedure in these instances?

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, my hon. friend gave me notice of his question. The report names seventeen persons, I understand, as members of the Soviet embassy staff who were engaged in inadmissible activities. This appears under section II(7) of the report of the royal commission. Of those seventeen I understand eleven had left this country before the report itself was published. I have assurances that the remaining number will be leaving immediately at the instance of the Soviet government.

Mr. HOMUTH: Is there no prosecution?

EMPIRE TRADE

REPORTED MEETING THIS AUTUMN ON QUESTION OF PREFERENCES

On the orders of the day:

Mr. HOWARD GREEN (Vancouver South): I should like to direct a question to the Minister of Trade and Commerce. A Canadian Press dispatch published this morning indicates that a conference may be held this fall to consider the whole question of empire trade preferences. Will the minister make a statement in that regard?

Hon. J. A. MacKINNON (Minister of Trade and Commerce): I received just as I came in the house a notice of the intention of the hon. member for Vancouver South to ask this question. I have not had an opportunity to have a word with the Prime Minister or any other colleague of mine. Personally I have no official information regarding the proposed meeting.

Mr. GREEN: Perhaps it can be answered further to-morrow.

Mr. MacKINNON: I will look into it and see.

PACIFIC COAST SERVICE

CONSTRUCTION OF PASSENGER AND FREIGHT VESSEL

On the orders of the day:

Mr. H. G. ARCHIBALD (Skeena): I wish to ask the Minister of Transport a question of which I have given him notice. Is the new passenger boat which the Canadian National Railways is reported to be negotiating to have

built for the Pacific coast service to be built in the Canadian National dry dock at Prince Rupert; and if not, why not?

Hon. LIONEL CHEVRIER (Minister of Transport): I received notice of the hon. gentleman's question, and made inquiries of officers of the Canadian National Railways. I have been informed by them that tenders have been asked of all shipyards in Canada for the construction of a new vessel for passenger and freight service to be operated by Canadian National Steamships on the Pacific coast.

Prince Rupert Dry Dock and Shipyard is not quoting, inasmuch as the staff of technicians and workmen at that plant has now been reduced to a peace-time basis. Now that the war-time emergency has passed it would be uneconomical to maintain at that plant the necessary technicians and staff that would be required for shipbuilding operations. It is anticipated that work at the yard will in the future be limited to ship repairs and overhaul.

Mr. SINCLAIR: Will the ship be built in the shipyards of North Vancouver?

Mr. CHEVRIER: Consideration will be given to that.

THE MINISTRY

PRESS REPORT OF RESIGNATION OF THE MINISTER OF LABOUR

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, my attention has just been drawn to an item which appears in an evening paper in the city. I am unable to gather whether the news editor had run short of news, or whether the item was intended as humour. The first paragraph of the article is as follows:

> Labour Minister Humphrey Mitchell is believed yesterday to have resigned from his cabinet post.

It goes on to say:

> The resignation was not accepted by Prime Minister Mackenzie King, and Mr. Mitchell's office to-day denied the report.
>
> The labour minister agreed to continue as head of the federal labour department after talking with the Prime Minister, it was said.

The article then proceeds to give the alleged reasons. I have had no conversation with the Minister of Labour concerning resignation or anything resembling resignation. I am perfectly sure that Mr. Mitchell has had nothing of the kind in his mind.

THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed from Tuesday, July 16, consideration of the motion of Right Hon. J. L. Ilsley (Minister of Finance) that Mr. Speaker do not leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Macdonnell, and the amendment to the amendment of Mr. MacInnis.

Mr. M. E. McGARRY (Inverness-Richmond): Mr. Speaker, when the house adjourned last night I was attempting to draw a comparison between income tax exemptions in Canada and those of other countries of the commonwealth, and I think all will agree with me that the contrast is very favourable to the Dominion of Canada.

I do not think it is fair to argue that there should be a drastic reduction of the staff of the civil service at this particular time, particularly when so many restrictions yet obtain and will obtain for some time, and when we consider the number of civil servants who are needed to administer the social and other legislation which has been put on the statute books since 1939. I need mention only the Unemployment Insurance Act, 1940, and the Family Allowance Act of about a year ago.

While mentioning the Family Allowance Act, with your permission, Mr. Speaker, I may be allowed to make a few remarks with regard to this piece of social legislation. It has been in force for about a year, and I am sure that all will agree that it has rendered a great deal of benefit to the children of Canada. And that was the hope, because when the measure was brought before the house parliament favoured it and was unanimous in adopting it. Certainly some abuses have arisen, but compared with the benefits afforded our children the abuses have been almost nominal. The government has paid family allowances to 1,420,233 families in respect to 3,330,763 children. The average allowance per family was $14.04 per month, and the average allowance per child was $5.98 per month.

In regard to the size of families, eighty-one per cent had three or fewer children, and a check-up and verification of the original registration has revealed very few abuses. As a matter of fact there were only two prosecutions in the whole of Canada. A bill has been passed in the British House of Commons providing for family allowances to come into

effect in August of this year. This shows that the great country which we were always asked to follow in respect of legislation and otherwise has this year followed a precedent set by us. Thus we have in this great commonwealth Australia, New Zealand, Great Britain and Canada all participating in the benefits which go with this family allowance.

This government has accomplished much during this year of demobilization and reconstruction; but after all the government can do has been done, it remains for the people of Canada, the individuals, as usual to do the planning and to contribute their support in the occupations in which they have knowledge and skill. Governments may make plans. Some of them are practical, and sometimes they are necessary, but most of the planning must be devised and carried out by whom?—by farmers, fishermen, manufacturers, traders, merchants, and all others in the various fields of endeavour. It is encouraging to discover, however, at this particular time that many of these plans have been put into practical operation.

It is generally realized that in Canada employment conditions are dependent to the extent of twenty-five per cent at least on our export trade. It is also true that to sell on a basis of quality and price in an export market under competitive conditions it is necessary that a well-organized Canadian manufacturing system be maintained in the domestic field. International trade is, and should continue to be, a great cooperative enterprise between dominion and provincial governments, their trade commissioners, agencies, farmers, manufacturers, miners, lumbermen, fishermen, importers, bankers and transportation men. All are consumers and all should work together continuously.

In my effort to conclude my remarks before eleven o'clock last evening I refrained from making brief reference to certain remarks made by some hon. members on the other side of the house. Since it was necessary for me to adjourn the debate at that time I shall now take a few minutes to make these brief references.

First I wish to refer to the gloomy diagnosis or prognosis of the hon. member for Yorkton (Mr. Castleden) as to the effect of the legislation dealing with taxation of cooperatives. I, like the hon. member for Yorkton, am sympathetic with the cooperative movement. I was one of the first to become a member and to take shares in our local cooperative. The officials of the wholesale cooperative located at Sydney, which supplies forty-seven retail stores on the island of Cape Breton, can vouch for my cooperation in their efforts to improve and expand their business. I may not be able to explain in detail all the intricacies of the policies and objectives of the cooperatives, but there is one reverend gentleman, Doctor Coady, who no doubt has full understanding of the entire set-up, its aims and intents.

Doctor Coady has been the organizer, the initiator and the developer of the cooperative movement throughout the maritimes. He is now and has been for many years the director of that movement. What does Doctor Coady say of the legislation dealing with cooperative taxation? He has said it over the radio; he has expressed it in the press. This is what he said: "I am well satisfied with this legislation." After hearing the comments of the director of the maritime cooperative movement, who should know the facts of this legislation better than any other person in the maritimes at least, what attitude should I take? Common sense should dictate the answer.

There is another matter to which I should like to refer. I consider the criticism of the hon. member for Muskoka-Ontario (Mr. Macdonnell) in dealing with matters of taxation, economy and expenditures, most inconsistent to say the least. He urged tax reduction, greater economy and greater expenditure. This is what one might call a paradoxical miracle. The Progressive Conservative proposals in the resolutions which issued from the recent Ottawa meeting of the dominion association are examples of this paradoxical miracle, and rather than offer my own criticism directly, since I have such a high regard for the hon. member, I shall read, with your permission, Mr. Speaker, what the *Financial Post* had to say about these resolutions. Every hon. member in the house knows what political party has the sympathy of the *Financial Post*. This is an excerpt from that paper:

> Spend more public money and cut taxes is the paradoxical miracle that Progressive Conservatives propose in the resolutions which issued from last week's two-day Ottawa meeting of the dominion association. It is sheer nonsense to promise in the same breath big tax cuts and big increases in government spending. It is just irresponsible to set down a long list of grandiose new expenditures and to foster the already rampant delusion that government has some magic pool of money to draw upon for bestowing painless pleasures on the voters. The fact that this batch of resolutions is so evidently designed to catch votes does not excuse it. The Progressive Conservatives are Canada's official opposition. That gives them a responsibility and a job to do. But what sober notice and informed respect will the opposition command when it comes to the debate on the esimates? What will be the force of opposition queries when, in its own platform, it devotes all its attention to where the money goes and none to where it comes from? It is time the Progressive Conservatives figured out the basic political beliefs for which they stand. Attempts

to be all things to all men never succeed. With taxes as they are to-day, the old political hocus pocus of trying to win power by promising to spend more money than the opponents won't work. The Progressive Conservatives would do well to repudiate their Ottawa pronouncement and draft a new one.

In closing may I observe that on our confederation birthday, July 1, we found our political system unimpaired despite the fact that the strains through which we have passed may have led outside observers to believe that they would disrupt our economy. Our economic system has given us unexampled prosperity at a time when most of the world is destitute. Our capacity to produce wealth exceeds the utmost hopes of the men who founded our state a lifetime ago, and millions of people beyond the seas depend upon us for their daily bread. Moreover, we have learned much in the management of our society, in the fairer distribution of its wealth, so that despite the outpouring of treasure and resources in the war and in the rehabilitation period, the average Canadian and his family live better to-day than ever before, and I would be safe in saying better than any other family on the face of the earth. No nation of our population anywhere at any time in history has equalled the material achievements of Canada in its brief lifetime of three generations. For bringing about this happy condition much credit must be given to the Minister of Finance (Mr. Ilsley); much credit must be given to this government. In carrying on the war and in applying measures to deal with rehabilitation in the peace period they have exercised foresight rather than hindsight. They showed that three hours after war was declared by passing the wartime prices and trade board regulations. What effect has it had? In the first place it has cut out profiteering and has prevented our prices from rocketing to the dizzy heights of the period following the last war, after which they dropped to a subnormal peace-time level which was followed by a period of depression, which brought with it hardships and horrors almost as great as those caused by the war itself. So I say if we find ourselves in the happy position that the outside world looks upon Canada as an example, much credit is due the man who presides over the treasury, and a great deal of honour and respect should be accorded this government which, through the strain and trials of war and the additional worries of rehabilitation and reconstruction, has brought this country to a position, economically and financially, that is unexecelled by any other country in the world.

Mr. L. W. SKEY (Trinity): Mr. Speaker, when I last spoke in the house, in the debate on the address in reply to the speech from the throne, I mentioned that I thought a dominion-provincial labour conference was almost as necessary as a conference on taxation. Before I proceed with what I wish particularly to say I should like to express the hope that our committee on industrial relations will be successful—perhaps as successful as a dominion-provincial labour conference might have been—in bringing a measure of relief in Canada's labour problems. I should like to say also that I hope the committee will be given all assistance and full cooperation by both labour and management, and that no obstructions will be placed in its way by any political party or by any action of the government or the opposition.

In rising to take part in the budget debate I should like to again place on *Hansard* the amendment moved by the hon. member for Muskoka-Ontario (Mr. Macdonnell), which I support. It reads:

> This house regrets:
>
> (1) That the budget does not provide for tax reductions in the calendar year 1946;
>
> (2) That the budget gives no indication of any serious attempt to eliminate extravagance or effect economies in the cost of government;
>
> (3) That the policies of the government are discouraging much-needed production.

It seems to me that very well sums up the inadequacies of the present budget.

I should like first to call attention to housing. This is one way by which we could provide employment, improve our standard of living and produce an asset for the country the cost of which would be paid off in time, without increasing the national debt. In 1945, according to the report of the Minister of Reconstruction (Mr. Howe) about 44,000 houses were built in Canada. As yet there has been no official estimate for 1946, but the industries which produce the fixtures necessary for houses have said that 35,000 houses is the most that can possibly be constructed if they are to be completely fitted out, and that with more strikes and more labour difficulties in the country we shall be lucky to get 25,000 completed this year. Back in May, 1945, this government was campaigning for reelection to office. They had some very fine advertisements in the newspapers, one of which I hold in my hand, appearing in the London *Free Press* of Tuesday, May 15, 1945, headed, "Liberal policies create post-war opportunities for all." Item No. 8 in a list of twelve contained in the advertisement states:

> The Liberal government's new $400,000,000 National Housing Act enables hundreds of thousands of Canadians to own their own homes. In the first year after Germany's defeat, at least 50,000 dwellings will be built. Low rental housing schemes are included. This means hundreds of thousands of jobs for the building

trades and allied industries—many thousands more for people who make furnishings and home equipment.

Well, I would call attention to the fact that according to the figures of the Minister of Reconstruction, this promise has not been fulfilled. That was on May 15, 1945. Now we come to June 6, 1945, when the campaign was getting a little warmer. In the Toronto *Star* of that date appeared this advertisement:

Just plain sense! . . . The Liberal administration can say with honesty and justice: This is the government which has directed Canada's war effort at home and abroad. This is the government which during the war worked out a programme of full employment and social reform . . . Let the Liberal government finish its work.

Then item No. 3:

The family's choice . . . Fifty thousand homes immediately . . .

Not just this year, but immediately—and this is five days before the election.

. . . one hundred thousand houses each year for ten years. Instalments as low as $9.58 per month under the new national housing plan.

Mr. GRAYDON: Heaven on earth.

Mr. SKEY: Well, it was only five days before the election. I mention this because a day or so ago we heard the Minister of National Defence (Mr. Abbott) call the attention of the house to a speech by the leader of the opposition (Mr. Bracken) entitled, "John Bracken's charter for a better Canada." The minister endeavoured to show that we were now advocating economy, but that our present stand was not quite in accordance with our election platform. The minister took part in the debate, and his constructive contribution was "John Bracken's charter for a better Canada." The hon. gentleman presented it very well and gave us some good advertising, showing what this party would have tried to do had it been in power. The minister also endeavoured to show that of the total amount being requested by the government only $170,000,000, approximately, represented controllable expenditures while all the rest was composed of fixed charges, and he said he could not see any place for economy. That same evening the hon. member for York South (Mr. Cockeram) presented figures which appear at page 3420 of *Hansard,* showing that in the minister's own department the navy now has 1,601 officers and 6,388 men, or one officer to command four men. Any military man will know that this is an uneconomic military organization. The incredible thing, however, is that the minister also has 10,187 civil servants to administer the affairs of this force, totalling 7,989; and he rose in this house to say that economies were not possible in the government at the present time.

One other subject to which I should like to speak before I come to the budget proper is the recently published report of the royal commission respecting public officials and other persons who might have communicated information to agents of a foreign power.

Some weeks ago when the crown companies bill was before the house I took the opportunity to suggest to the government, through the Minister of Reconstruction and Supply, that additional measures be taken to ensure that Canada's crown companies, especially those dealing with secret war materials, crown arsenals and matters connected with atomic energy—the plant at Chalk river—should be protected in relation to the personnel employed by them. As was stated in a press report, I was brushed off by the minister. I am pleased to see however that my views as expressed at that time are borne out by the recommendations of the royal commissioners, whose third recommendation is that all security measures be coordinated and rendered as nearly uniform as possible.

The press report indicates clearly that the Labour Progressive party in Canada was used as an instrument for the recruitment of red cells for purposes of espionage against the Canadian people. Shortly before the report was published the annual meeting of the Labour Progressive party was held in Columbus Hall, Toronto. Here is what the national leader of that party said on June 3 of this year—I quote from the *Globe and Mail:*

"We want 10,000 new members this year. We want a mass Marxist party, a party of communists." Premier Drew of Ontario, Prime Minister King and Premier Duplessis of Quebec were the particular targets on which Tim Buck directed his fire.

An hon. MEMBER: Hear, hear.

Mr. SKEY: I am glad I have a little support on the other side of the house. Then, an editorial which appeared two days after that meeting stated:

Thus easily did Mr. Buck cut the lines with the party's recent past. No longer is it necessary to travel in the convoy of a Liberal party alliance. That union which consummated in the North Grey by-election reached into the Ontario legislature and lasted through the provincial and federal elections of last year. The emphasis has now shifted from political to industrial trouble making.

I have not put this on the record to make difficulty or trouble but rather to place it before the government, because there is now a clear duty placed upon them to tell the

country whether it intends to give consideration to the advisability of allowing the communist party to continue to spawn red cells in Canada.

I now have a somewhat milder recommendation to make to the government, and it is that the Minister of Finance, who through five or six years has borne the difficulties of finding money for Canada and who, as the Prime Minister said the other day, needs a well-earned working holiday at Geneva, be relieved of some of the difficulties and responsibilities now placed upon his shoulders. I make this recommendation in the light of the budget now before us. It seems to me that of necessity some controls must continue for some time. It must follow from the budget that for many months there will continue to be a scarcity of goods in Canada. As a result of that there is no doubt that the wartime prices and trade board must continue to function; and, as stated by the Prime Minister, it will continue. Therefore I recommend to the Minister of Finance that his colleague, the chairman of the wartime prices and trade board, be brought into the cabinet and the House of Commons, where he can bear the load of questioning, accept a share of governmental responsibility, and take that measure of load from the shoulders of the Minister of Finance. I believe this would relieve the minister of many onerous responsibilities he now carries, and would also place the chairman of the wartime prices and trade board in a cabinet position, where hon. members who, on occasions, have had reason to complain that they did not get all the information they wanted, would be able to question him directly.

Mr. BERTRAND (Laurier): Would the hon. member give him his seat?

Mr. SKEY: I should like to respond to the request of the Postmaster General (Mr. Bertrand), but I happen to represent a constituency in which the leader of the Labour Progressive party was a strong candidate in the last election. However if the chairman of the wartime prices and trade board would like to contest that seat, he will be welcomed at the next election.

For a moment or two I now address my remarks to the income tax branch. I have received from many employees of that branch a letter expressing clearly their dissatisfaction. They state that there are small opportunities —indeed, practically no opportunities—for promotion or advancement, that they suffer from crowded working conditions, and that the low wages they receive are causing them financial worries at home. I do not know whether they are different from any other public servants, but if they are being paid at a lower rate I would recommend to the minister that their positions be investigated, and if possible, their quarters improved.

I now turn my attention to the budget. I have received a letter from a constituent of mine in which I believe he has stated some things which should be put on *Hansard*. This letter, from Mr. Ivory of Toronto, states:

> Regardless of the fact that voters at the last election returned some 190 Liberals and Progressive Conservatives as compared with fewer than 30 C.C.F.'ers, the cabinet and the Liberal party generally appear to believe that we want socialism in Canada. Evidently they think that if socialism is introduced in the guise of social security under Liberal sponsorship it will be O.K. But smallpox by any other name is just as deadly; and no matter who gives it to you, it is still smallpox.

During the dominion-provincial conference the Premier of Quebec went on record as saying something which is remarkably similar to the statement made by my constituent. Mr. Duplessis said:

> We all remember the old saying: "A rose by any other name would smell as sweet." Well, centralization by any other name would smell as bad and be as dangerous. In my opinion, if we accepted the proposals of the federal government, confederation could not endure.

My constituent goes on to say:

> Now, if Mr. Ilsley allowed those in the middle income groups who carry the major part of the income tax burden a "respectable" income tax reduction now, they would have more "take home pay," there would be little reason for strikes for more take home pay, goods would continue to be produced, and since wages would remain more or less stable prices would not have to be increased—hence inflationary pressures would be reduced.
>
> The reasoning of the government, however, is just the reverse of this, and since they will probably, as usual, get their way, they should accept the responsibility for the inflation, unemployment and hardship which may well follow the passing of his budget.

Continuing the discussion of the budget and endeavouring to prove that what I have already put on *Hansard* is a reasonably accurate estimate of what this budget will do to Canada, I should like to quote what was said by the Right Hon. Minister of Finance during his budget speech as reported on page 2904 of *Hansard*, as follows:

> Production then should be our primary objective both for its own sake in a world that needs goods so badly, and as a safeguard against the present danger of inflation. We should aim now at high volume production for civilian purposes despite shortages, strikes, delays and uncertainties—

I am of the opinion that my constituent is right, that some greater relief in the income tax field would have a tendency to reduce

the number of strikes, and that this is the field that should have received attention this year. The income tax this year will be the same as it was last year, and there will be no relief until 1947. This is the sort of thing that leads to strikes. Every housewife in the country knows that prices are rising and that as a result of these higher prices their standards of living will drop during the year. I quote again from page 2905 of *Hansard*, where the minister is reported as having said:

In the first place, the action we take now in regard to taxes should provide whatever stimulus is possible to increased production.

I contend that if you tax a man to the point where he is incited to strike for higher wages you are not providing a stimulus to increased production.

Turning now for a moment to the dominion-provincial conference, we find in the speech an analysis of what the government offered at that conference. To summarize, there were three categories of agreements discussed—public investment, social security and taxation. Under public investment there was an offer to the provinces to cooperate, first, in attempting to level off booms and depressions; second, in the conservation of their economic resources and, third, in the timing of planned public works. That is essentially a long-range programme designed to prime the Canadian economy when necessary and keep it on an even keel. I contend that that is a matter which could have been considered separately from any tax agreement; it was not necessary that it should be tied up to any tax agreement. It was a long-range programme; it was a programme of economic cooperation more than one of taxation cooperation.

The second government basis for discussion was in the field of social security, and had to do with old age pensions, public health, preventive medical activities, health insurance, and so on. The government's contention was that this was an integrated offering to the provinces, that it could not be broken down, and in this connection I should like to put on *Hansard* a statement made by the premier of Ontario as reported in the *Globe and Mail* as follows:

Mr. Drew further emphasized that the dominion financial proposals had nothing to do with its proposals for extended health and social services.

He went on to say that these were to be financed by a new superimposed income tax and a poll tax payable by every one over sixteen years of age. I shall not go into this contentious matter at the moment, but I should like the house to note that the Premier of Ontario said that this was not an integrated programme. In fact, he emphasized that the extended health and social services were a separate thing and should not have been tied in with any taxation agreement.

The dominion-provincial conference broke down because the provinces were offered an integrated proposal. The eastern provinces might want one kind of help, while the western provinces wanted another. I think I am right in saying that both the central provinces are on record as being in favour of a fiscal need policy for all parts of the dominion. Fiscal need would not necessarily be the same in the east as it is in the west, yet the provinces were offered an integrated programme without opportunity to adjust it to their own particular sectional needs. I contend that had they not been offered an integrated programme agreement could have been reached then with all of them. The man on the east coast does not necessarily need the same kind of service as the man in the prairie provinces or the man on the west coast.

This is what the minister in his budget speech says about the provinces, and this is the only place where I come fairly to grips with the minister. At page 2909 of *Hansard* the minister in his budget speech says:

Provincial expenditures have expanded greatly. Over-all provincial budgets, brought down for the current year, call for expenditures higher by about $200 million than in 1940.

That is not such a tremendous over-expansion, Mr. Speaker, when compared with the expanding budget of the dominion government, which is now increased 5 times.

This is an increase of roughly two-thirds. If the provinces again become dependent on income and corporation taxes, some will be forced to adopt taxation expedients far more drastic than those employed before the war. Financial pressure on the less-favoured provinces will give rise to increasingly arbitrary and discriminatory taxation, will lead to interference with inter-provincial trade and to the extension of government ownership and operation of business merely in order to obtain additional provincial revenues which of course would mean loss of revenues to the dominion.

I do not think it is fair of the federal government to say that the provinces, which kept their taxation agreement one hundred per cent during the war, might employ taxation expedients far more drastic than those employed before the war.

Mr. ILSLEY: One of the provinces intimated that they would be compelled to do so.

Mr. SKEY: One of the western provinces?

Mr. ILSLEY: Yes.

Mr. SKEY: I must have missed that part in the report of the conference, which I have read with great care. If it is the only province

which has adopted socialism, then the remarks of the Minister of Finance would be correct when he says that such might lead "to the extension of government ownership and operation of business." The Minister of Finance went on to say, on the same page of *Hansard:*

> Moreover, the arbitrary and discriminatory provincial taxes would come on top of dominion taxes which, while substantially less than at present, would still be considerably higher than before the war.

And so the government comes to the rescue of the provinces to prevent all of them except one from taxing themselves out of existence. The minister went on to say:

> The dominion cannot stand aside and allow such a situation to develop.

I contend, Mr. Speaker, that it is the dominion government that has caused that situation or is allowing it to develop in those provinces where these wicked provincial governments might start out to tax their people out of existence. In all fairness I do not think the Minister of Finance should say that the dominion government stands here to protect the provinces from being taxed out of existence.

Mr. ILSLEY: There was no implication of wickedness, but rather of necessity.

Mr. SKEY: I was using the word emotionally. The minister said:

> The dominion cannot stand aside and allow such a situation to develop.

It is my contention, Mr. Speaker, that it is the dominion government's taxes that are causing that situation. The minister went on to say:

> It would seriously impair the capacity of private enterprise to provide high and expanding employment. It would weaken and perhaps destroy our federal system.

I have been very critical of the federal government's attitude towards the provinces. I say again that it is unfair to imply that those provinces, every one of which kept its taxation agreement with the dominion government one hundred per cent during the war, might be so hard on their own people as to tax them out of existence. It would be less than fair of me, however, to go on criticizing the conference without offering a possible solution of the present problem.

More than one provincial premier who attended the conference last May advocated the establishment of a standing committee on dominion-provincial affairs. I think it was Premier Drew of Ontario who said that we must have a committee on taxation so that we could start to do what the United States government is now doing so successfully, in connection with which statistics are published such as are to be found in the booklet I have here entitled "A post-war federal tax plan for high employment." Such a committee would study how Canadian taxes could be so imposed as not to cripple our economy, and in fact impose them in such a way as to try to be a stimulus to business. The premiers I believe were all in favour of the establishment of some kind of permanent committee to assist in ironing out dominion-provincial affairs. Such a committee has been established in the United States and is operating successfully.

I would like to quote from the April 1946 issue of the New York State Bar Association Bulletin, in which appears an article by former Republican Senator Lawrence G. Williams. At page 86 he says:

> The joint legislative committee on interstate cooperation of the state of New York was created by joint resolution of the senate and assembly and its rationale, and purpose was to encourage greater uniformity between the states, and the states and the federal government, both in the field of legislation and administration. . . The subjects dealt with fall into eighteen divisions and assigned to as many subcommittees.

Then at page 89 he says:

> Every state in the union to-day has either a committee or a commission as a counterpart to the joint legislative committee on interstate cooperation in the state of New York. The states are the principals and their agent or clearing house and loyal servant in the counsel of state governments, the main office of which is in the city of Chicago.

I happen to know that this committee has been a tremendous success in promoting interstate trade and harmonious legislation. We in the central provinces should long ago have sought ways and means of buying from the maritimes and from the west the things we need: we should be mining our own coal instead of importing it, developing our economy from within, supporting and assisting one another, rather than operating as disjointed parts of one whole body. Therefore I propose that some form of harmonization committee be formed such as they have in the United States, a committee consisting of non-office holders, civilians, selected by the provinces and the government jointly. I propose that such a committee be appointed immediately to look into all dominion-provincial affairs in an attempt to straighten out the impasse to which we have come.

It seems to me that the dominion-provincial conference should be reconvened. In the light of what has happened, in the light of the replies that have been made to the offer contained in the federal budget, in the light of the views of the provinces in the west and in the light of some of the silence in the

east, I think it would be wise to reconvene the dominion-provincial conference rather than just sit and wait it out as the government is doing at the present time.

There is one other matter with regards to taxation to which I should have referred earlier when I was speaking about discriminatory taxation. *Hansard, page* 2910, left-hand column, contains the following statement by the minister, proviso (a):

> The agreeing provinces would agree not to levy any taxes on personal income nor permit their municipalities to do so.

Then further down:

> . . . the dominion would be willing to give a tax credit to the individual taxpayer of the amount of the tax he had to pay to the province, up to five per cent of the tax payable to the dominion by such taxpayer.

I take that to mean that the provinces, if they impose a five per cent income tax, will be allowed to keep that five per cent. Now on page 31 of the dominion-provincial conference proceedings the Premier of Quebec had this to say on just such an agreement:

> I do not say that is a good example, but we were entitled to a dollar and we were getting five cents according to the 1942 tax agreement. The dollar was given to Ottawa and we got five cents. I do not think that the Ottawa statement here is fair.

I do not see how permission to tax up to the point of five per cent can be considered a fair taxation agreement with any province.

Mr. SPEAKER: Order. I must inform the hon. member that his time has expired.

Mrs. GLADYS STRUM (Qu'Appelle): Mr. Speaker, the Minister of Finance (Mr. Ilsley) is to be congratulated, not only on the clarity of his presentation in giving the budget to the house, but on the endurance record he has set for this debate. It is no easy thing to sit for hours on end day after day and listen to your youngest and, no doubt favourite financial offspring being chastised constantly by the opposition. If there had not been a serious omission like the failure to deal with old age pensions I should have taken pity on the minister and resisted the urge to speak at this time. However, this omission is of so serious a nature, that I feel that I should not let this opportunity pass to speak for these people who are not able to speak for themselves.

In spite of the rising living costs over the war period, there has only been one small adjustment in the payments made to old age pensioners. In 1943 the federal government agreed to add its $3.75 to the $1.25 to be paid by the provinces in order to make an increase of $5 a month on the basic $20 a month payment. However, this does not mean that every old age pensioner gets $25 a month; it depends on the province in which he lives and the generosity of the administration carrying out the act. The iniquitous means test works out so that, if it can be shown that you are living in the home of a relative and that you do not need to pay so much for rent or for other accommodation as you otherwise would, the pension is reduced accordingly. The old age pension inspector advises his office of this fact or of any other fact for which he can have an excuse to reduce the pension, and less is paid. If the old age pensioner has any laudable and worthy ambition to earn some money and has the health and strength so that he can add to his pension, and the inspector finds out about it, the man's pension is reduced until, it is assumed, he will have used up the amount of his earnings to reduce his income so that he shall not have more than $425 at the present time, including the pension.

Mr. IRVINE: That stimulates the "free private enterprise."

Mrs. STRUM: This sum has been fixed by the federal government by order in council under the War Measures Act. It was formerly $365 a year, or $1 a day.

I find in the "Canada Year Book", 1945, that the average pension paid province by province is as follows: Prince Edward Island, $18.59; Nova Scotia, $22.53; New Brunswick, $22.11; Quebec, $23.96; Ontario, $23.89; Manitoba, $24.50; Saskatchewan, $24.70; Alberta, $24.18; British Columbia, $24.45; and in the northwest territories, $24.44. It will be noted by the figures that Saskatchewan pays the highest average of any province in Canada, and is also gives every old age pensioner a health card that supplies him and his wife and dependent children with complete health services. That is, the card covers medical care, hospitalization, surgery, X-ray and any other treatment, all drugs and medicines and appliances, and, in addition to this, optical care and glasses and dental care, of course, completely free to the old age pensioner. The Saskatchewan government has added $3 out of provincial funds which the federal government has not matched on the basis of its initial payment; that is, $1 from the provinces and $3 from the federal government. If the federal government had done this the old age pensioner in Saskatchewan would have an extra $9, or an old age pension of $37 a month. In addition to this, the Saskatchewan government gives property exemption of $2,000 against which no old age pension can be charged; that is, the

old age pensioner has the right to hold a house or property up to the value of $2,000 without its affecting his old age pension in any way, and it is only that portion over $2,000 which is liable to any claim that may be registered for recovery of old age pension payments by the government. The old age pensioner must have been very much disappointed last December when the members of the House of Commons saw fit to take care of themselves and only promised to deal with old age pensions at the next session. Their hopes must have risen considerably when, on Monday, June 24, the Minister of National Health and Welfare (Mr. Claxton) said, as reported in *Hansard* at page 2793.

> It is proposed that during the session, despite its possible length, legislation will be introduced to carry that into effect.

Their hopes no doubt suffered a severe setback from frost on Friday, July 5, when, as reported in *Hansard,* at page 3160, the hon. member for Winnipeg North Centre (Mr. Knowles) said:

> I should like to ask the Prime Minister if in giving the list of additional bills he forgot the promise made by the Minister of National Health and Welfare (Mr. Claxton) that legislation would be introduced respecting old age pensions. This promise was made on June 24 and will be found reported on page 2793 of *Hansard.*

And the Prime Minister (Mr. Mackenzie King) answered:

> I should like to just look at the promise and then perhaps give my hon. friend a word in relation to it a little later.

No doubt the poor old age pensioners had hoped against hope that something would be done about their food, their clothing and their rent before another year had rolled around. Imagine their surprise on July 12 when the Prime Minister said, as reported at page 3394 of *Hansard*:

> The hon. member referred to a statement made on June 24 by the Minister of National Health and Welfare in which it was indicated that it was proposed, during the present session, to have legislation introduced. Obviously a bill will have to be introduced at some time to continue in force the changes made in old age pensions under the War Measures Act. It had been the intention of the government to introduce a bill at this session.
>
> In view, however, of the great amount of business still to be concluded at this session of parliament, the government suggested that the National Emergency Transitional Powers Act, 1945, should be extended for an additional forty-five days after the opening of the next session in order to make it unnecessary to reenact a considerable volume of emergency legislation at this session. It is the intention of the government to avail itself of this amendment and to delay the introduction of the necessary old age pensions bill until next session.

I wish to submit to the Minister of National Health and Welfare, the Minister of Finance, the Prime Minister, and, indeed, all members of the house who supported the rise in their own indemnity that, if it is necessary and desirable that members of parliament should be free of debt and financial worry, by the same token old age pensioners should not be forced to beg, borrow or cheat in order to keep body and soul together.

It has been said that good men cannot afford to be members of parliament. By the same token I should like to ask hon. members if anyone can afford to be an old age pensioner? Let us ask ourselves, who are these old age pensioners? They are the people, now seventy years of age and over, who were the pioneers of this country. What was Canada like when these people were born seventy years ago? Canada was a very scraggly infant indeed at that time.

We hear a lot about the value to this country of the people who are willing to take risks, and we have many hon. members on both sides of the house who are willing to justify the risk of capital for the sake of development. But the people who believe that we owe much to those who risk their money should have no trouble in admitting that we owe even more to those who risk their lives, those who invested not only their money but their life itself in building a nation. It is just fifty years ago since the period of development began which made this country into a nation. According to the Sirois report, this development took place from 1896, which is just fifty years ago. That year is taken as the landmark in our Canadian history. The people to whom I refer were twenty years of age when the inflow of settlers began. According to the Sirois report, at page 67 of Book I:

> The inflow of settlers began in earnest soon after the opening of the century and during the subsequent years of the period the land was taken up with amazing rapidity. An area larger than Vermont was entered in free homesteads in 1909; twice the area of Connecticut in 1910; more than Delaware and New Hampshire in 1911; nearly the area of Maryland in 1912; and more than Massachusetts in 1913. By the end of 1913, the rapid phase of western settlement was over. In so short a time, the frontier was pushed to its limits in almost all directions.

The people who are now seventy were twenty in 1896. In the years following 1896, thousands of them married and took their brides to homesteads. According to the Sirois report, at page 68:

> The settlement of the northwest was largely accomplished by 1913, and for the time being, at least, both the dry and the more humid areas had been brought into profitable production. Between 1896 and 1913, one million people

moved into the three prairie provinces and the population increased from seven to twenty per cent of the total population of the dominion. The area of occupied land increased from about ten million acres to seventy million acres and the production of wheat from approximately twenty million bushels to 209 million bushels. At the end of the period, the value of agricultural production reached a total of $300 to $400 million annually.

Many of these people who are now without personal savings or personal investment, invested heavily in the future of their country. Most of them started to work early in their teens. Most of them married and raised families. They were the parents of the soldiers of the last war and the grandparents of the armed forces of this war. They built the schools and the churches; they paid the taxes; they were the outlets for the mortgage and insurance companies and for the banks. This is plainly set out at page 73 of the report as follows:

> While the value of agricultural production rose by leaps and bounds—the value of the exports of wheat and flour alone in 1913 was greater than the value of all exports in 1896—the value of the manufactured goods produced for the home market increased at an even faster rate.

The families of Canada were the home market; they bought the output of the great factories. In fact, as the report so well puts it on page 79, they realized the dream of the fathers of confederation by filling in the vast open spaces of Canada and building on this settlement the economic structure which developed into the Canada we know to-day.

The report states:

> The wheat boom had finally brought the realization of the economic objectives of the confederation scheme. The northwest was settled and the federal government was able through its policies and projects, to ensure expansion in the older communities of Canada on the basis of that settlement. These communities, restricted by the exhaustion of their own frontiers and confined to a precarious dependence on their own foreign outlets, received a new stimulus from the highly specialized exporting industry on the prairies which had become the country's principal economic contact with the external world. Wheat transformed the static and isolated regions into an integrated and expanding national economy. The rising prosperity which accompanied this growth in interdependence fortified the political structure of confederation with a common material interest and a national spirit such as had never existed before.
>
> In this atmosphere of large plans and their successful execution, Canadians began to believe themselves to be a great people. Thir work in creating the west gave them that sense of common achievement which marks a nation. They were proud of what they had done, and this gave them confidence in the future. Sir Wilfrid Laurier merely echoed a widespread conviction when he proclaimed that the twentieth century belonged to Canada.

[Mrs. Strum.]

These people who made Canada into a nation, who built the great structure, the financial structure, the economic structure which opened up the agricultural lands and established Canada's great export markets are to-day the old age pensioners. These are the people to whom we are now saying we cannot afford to give more than this miserable pittance of a few dollars a month.

We must remember that seventy years ago we had no transcontinental railway. The expansion of Canada and its great economic, financial and transportation systems took shape in this period. To me it is inconceivable that we should deny that the pioneers of this country have the right now to honourable superannuation. It is unthinkable that we should take care of the members of the House of Commons through a tax-free raise of $2,000 a year and of the incomes of the members of the Senate through a raise of $2,000 a year without tax exemptions and at the same session deal with an increase in the salaries of judges, and then accept the mere assertion of the Prime Minister, the leader of the Liberal party, that we have too much business and that it is now too late to deal with this until next year.

Coming to another matter, I should like to reply to the statement of the Minister of National Health and Welfare (Mr. Claxton) in reference to income tax exemptions, at page 3480 of *Hansard*:

> Tax exemptions in Canada are higher for both single and married taxpayers than in the countries where they have labour governments, higher than in the United Kingdom, higher than in Australia, even after the cut announced Friday, or in New Zealand; they are also higher than in the United States, and with the further exemptions which will be made effective from January 1, 1947, they will be very much higher than in those countries.

I wish the minister were in his seat at the moment. The other evening he gave me an opportunity to ask a question, but I declined in favour of making a more complete statement during the course of these remarks. There is no doubt in my mind that all hon. members are proud to be members of the Canadian parliament and citizens of Canada, but that should not blind us to what is going on in other countries. Nor is it sufficient reason for indulging in statements to the effect that we are the wisest, the greatest, the most politically sagacious country in the world. It is very easy to tack "in the world" on the end of every statement; you are almost sure nobody will have time to look it up, but I submit it is a dangerous practice. On other occasions I have felt that the Minister of National Health and Welfare has attempted

to compare our position with that of New Zealand on a basis that does not permit of comparison. For instance, to me it is meaningless to compare a country the size of the province of Saskatchewan with a country the size of Canada, because that is what you do when you compare Canada and New Zealand. The whole Dominion of New Zealand comprises an area comparable not with Canada but with Saskatchewan; and out of that you must take a mountain range which runs the length of the southern island and which they call the southern Alps. The whole of New Zealand is just a pocket edition of the Dominion of Canada. It has a population of 1,500,000 compared with our 12,000,000. We have rich mineral deposits. We have aluminium, iron, gold, silver and asbestos, to name just a few. They have practically no mineral wealth at all. We have great resources of oil still undeveloped in the Alberta tar sands, in addition to the Turner valley development. They have no oil at all and must import every drop. We have rich deposits of coal in Cape Breton, soft coal in Saskatchewan and hard coal in Alberta, to mention just three instances. They have very little coal. Their one abundant source of power is hydro power; but again with our great power resources and our potential hydro development we have a very great advantage. We have great timber lands in spite of the waste and lack of conservation measures. They burned their timber in the first days of settlement in order to clear the land for agriculture. When I visited there in 1939 they showed me with pride their great housing projects, and I blushed when they told me they were built with Canadian timber while we were doing nothing of the kind here.

Not only is the basis of comparison ridiculous, but there is no comparison in social security benefits. I should like to read into *Hansard* a statement with regard to the taxes and benefits enjoyed by the people of New Zealand, as at July 2 of this year, coming from the office of the high commissioner of New Zealand. I want to preface this with a statement of the benefits they enjoy under their social security tax, because, while they have two kinds of taxes, income tax and social security tax, they really do get something for those taxes. Here is a list of the benefits they receive: free treatment in public hospitals; free treatment in mental hospitals; free treatment in maternity hospitals; free medical attention; free medicine and surgical appliances; a sickness benefit of £4 weekly if the husband is ill or £2 weekly if the wife is ill; an unemployment benefit of £4 weekly for a man and his wife and an additional £1 if there are two children; universal superannuation at sixty-five years of age at £50 yearly for man and wife without means test, increasing by an additional £5 every year until it amounts to £4 weekly or £208 yearly, or alternately £4 weekly for life at sixty years of age for a man and wife with generous means test; permanent invalidity benefits to the husband of £4 a week; permanent invalidity benefit to the wife of £2 a week. If the husband dies the widow receives £2 a week; and in all the above instances the payment of family allowance of 10s. a week for each child continues.

I must say that according to the figures coming from the office of the high commissioner, the statement of the Minister of National Health and Welfare that our family allowance payments are the highest in the world is hardly correct. In New Zealand, evaluating their pound at $3.60, the amount paid for two children in family allowance payments is $187.20, as compared with $144 in this country for two children. That does not bear out the statement that our family allowances are the largest in the world. Then, if both parents die, the orphan children are entitled to receive up to 15s. 9d. weekly, and there are other benefits too numerous to mention; massage, X-ray and so on, to which a family of four would be entitled in return for their payment of social security tax. In addition, every family of four is guaranteed by the state a yearly income of not less than £260, or $936. That is interesting, because there they have put a floor under family income.

Then all social security payments received by the family are exempt from taxation; and here is an interesting statement. Again and again we have been told that our price control is the best in the world, but that is not so according to a statement released by the international labour office. They say the cost of living is considerably less in New Zealand than in Canada, that the cost of food and other necessities would give New Zealand an index figure of 100 and Canada a figure of 170. Those are the figures of the international labour office, which is a non-political, completely impartial organization.

What do the people of New Zealand pay for this blanket social security programme? When I was there in 1939 they were just beginning to enroll every man, woman and child for purposes of registration. No matter what happens to you, whether it is illness, accident, unemployment or any other disaster that may overtake you, in New Zealand you are not now an object of charity. You are not a beggar, because your income is not allowed to go below the minimum standard of $936 for a family of four, regardless of

what happens to you. Of course you pay. No one has ever said that anyone can get something for nothing. But the first £300, or $1,080, is exempt from income tax. The man or woman who receives that pays a social security tax. As a matter of fact, he or she pays various items in social security taxation. He pays 7½ per cent to the social security fund, and this amounts to $88.20. I have worked this out on the basis of $3.60 to the New Zealand pound. Then he pays another 2½ per cent levy to the national security fund, making another $27. This means that he pays $115.20 for his social security benefits. But he does not yet begin to pay income tax.

Mr. ILSLEY: The hon. member is referring to a married person.

Mrs. STRUM: Yes, with two children. Let us take the £500 wage-earner who is married and has two children. At $3.60 to the pound he now earns $1,800. He begins to pay income tax on the portion over £300. On the first £100 he pays $45 income tax. On the next £100 he pays $49.50 income tax. He pays his social security tax. His total of all taxes amounts to $306.

He gets his family allowance payment of $187.20 for his two children. Out of his $1,800 earnings, after the payment of all taxation, and after adding on his family allowance payments, he gets $1,681.20. I think hon. members will agree that to get that much protection for the cost I have indicated is a pretty good bargain.

By the same token I have always felt it is unfair to make a flat statement in regard to Australia or Great Britain on the basis of our position at the end of the war. The great continent of Australia suffers a natural disability in that it has a fringe of settlement around the edge of a great and terrible desert. The settlement in Australia along the fringe, where 7,000,000 people are scattered along the rim of coast line, makes a terrific problem in connection with the building of railways, transportation, government and national unity. The fact that Australia followed the lead of New Zealand in electing a C.C.F. government—they call it a labour government—has brought them, too, into the orbit of criticism. The distance from markets suffered by both Australia and New Zealand is a natural disability we are apt to forget. Our wheat crosses the Atlantic ocean to reach the European market. But let me remind the house that the cheese, butter and frozen mutton from Australia and New Zealand must pass over the equator and across the Pacific. It is nineteen days by boat from Victoria to Auckland. They come by way of the Panama canal, which makes the time of passage somewhat shorter. The fact remains, however, that they must cross the equator, the Pacific ocean and the Atlantic ocean if they are to put their goods on the markets of the world.

To compare Canada with Great Britain at the end of the war is to reach the height of absurdity. Great Britain not only proved to be a haven for thousands of refugees—a responsibility, by the way, which we refused to undertake—but was also a target. We are told that a third of all the homes in England suffered during the war either partial or complete destruction. Their lands have been heavily damaged by enemy bombing. They have had many millions of pounds worth of assets destroyed. They are forced to seek loans and credits abroad, and must recover their export trade as best they can.

How can we compare Canada with Great Britain at this time? Yet, in spite of their difficulties, in spite of their losses, they are now planning to build 4,000,000 homes. They are planning to cover their people with a complete programme of social security, which will start with the cradle and end with the grave.

I have referred before to the speech of Sir Wilson Jamieson given in this building, when he outlined the plan of health services for the people of Great Britain. Every man, woman and child, regardless of ability to pay, will have everything that science and medicine can offer, including the services of specialists and of blood transfusion units. Surely it is beside the point to make these comparisons.

In this whole problem we must remember that the government of Canada has not yet decided to raise money by any means other than taxation. We cannot blame the Minister of Finance for regarding taxes as the only source of income because, as he has said, and as other members of the government have said—and correctly—that is the method the country chose when this government was returned to office.

But the governments of Australia, New Zealand and Great Britain, countries, in which the people love democracy in the same way that we love it, have decided to carry democracy one step farther. In England they are going to take over the great utilities and sources of wealth for the benefit of all the people, not just for the bondholders and shareholders. In this way they are using social ownership as a means of obtaining revenue to supplement taxation. So that they are able now to launch these great housing projects and social security schemes

We have not yet decided to do that. In the Ottawa *Journal* of July 4 we find a glaring example of government policy. This press clipping tells about the discovery of a great iron deposit, a rich find to be developed by a United States company. To me this part of the article is most interesting:

Mr. Babcock explained that the iron deposits which assayed from 52 to 60 per cent in richness, were of a freakish nature, as a result of volcanic eruption and he gave full credit of the initial discovery to Dr. T. L. Tanton, of the Department of Mines and Resources in Ottawa.

And so the people of Canada pay to have these iron deposits hunted out. Then we hand it over to United States capital! The report says:

There was no Canadian money involved. Private money from American capital was being invested, and there would be no stock put on the market.

So that our Canadian deposit of iron, discovered and paid for in its initial stages by the Department of Mines and Resources, is now to be turned over to United States capital, and no Canadian will hold even a share. That is a typical example of Liberal policy—and of Conservative policy too, because the Tories have advocated consistently that the government should have nothing to do with the operation of mines, utilities, resources or industry of any kind. Their attitude is that as soon as possible the government should retire from this field. And, of course, the government is retiring as fast as possible. This was pointed out yesterday by the hon. member for Yorkton (Mr. Castleden) when he referred to the liquidation of holdings of War Assets corporation which had been acquired through the operation of industry in war time. We have been accused of having dropped our socialist principles and being absorbed by the Liberal party because we support some government measures.

Some hon. MEMBERS: Oh, oh.

Mrs. STRUM: Of course that is a Tory idea, but neither the Liberals nor the C.C.F. are fooled. They know and we know that the great dividing line between the C.C.F. and the two old parties is this problem of social ownership; they know that is where we part company. We believe that the wealth of the country should be owned by the people of Canada and that this social ownership should take three forms.

First, there should be social ownership through cooperatives and, second, social ownership through municipal bodies. One of the best examples of this that I know of is the city of Regina which owns its own power company, streetcar lines, bus lines and water supply. If you go to Regina you can ride on the streetcar for a five cent fare. If you studied the financial statement of the city you would find that these utilities put a million dollars into the treasury last year. That is money that will not now have to be raised by a levy on the taxpayers of the city.

In addition to cooperative ownership and municipal ownership, we should have provincial ownership and federal ownership of the great facilities which extend from coast to coast. We shall have it because the people of Canada are not stupid; they are learning from the other members of the commonwealth how government can serve the needs of the people.

Mr. NORMAN JAQUES (Wetaskiwin): Mr. Speaker, I have not prepared a speech, but there are a few remarks I should like to make with reference to the budget and to some of the things that have been said by previous speakers. I shall not attempt a financial analysis of the budget but will leave that to the experts. There are one or two things for which practically everybody in Canada condemns this budget. According to my own correspondence, the first is the taxation of low incomes. I think all Canadians agree that there should be a taxation exemption of $2,000 for married people and $1,200 for single persons.

According to my correspondence, which is quite heavy, another bone of contention is the taxing of private business and cooperatives. According to what the C.C.F. say, apparently we should discriminate against private industry becaue it is being carried on for profit. What in the world else does anybody carry on business for? Show me a farmer who says that he is not farming for profit and I will show you a farmer who has escaped either from a lunatic asylum or a penitentiary. I have farmed myself for thirty-five years and I do not think I am much below the average where the question of morals is concerned.

If it can be shown that cooperatives are being carried on without profit, then I agree that there is nothing to tax. But if it can be shown, that cooperatives use their profits—I do not know of a better term—in order to expand their business, then I cannot see why private business which does the same thing should be discriminated against, merely because of a sophistry that the one carries on for the benefit of the people while the other carries on to make a profit.

I have pointed out before in this house that the whole idea of profit is based upon a hope that an undertaking will be profitable because it will supply a public need. Unless a busi-

ness is supplying a public need, it is not likely to be profitable unless it is in the nature of a monopoly. We social crediters are absolutely against the idea of monopolies and we do not see that the cure for private monopoly is to create public monopoly. To my way of thinking, both are evil and both should be avoided at all costs.

I think all Canadians will agree with what was said so eloquently by the previous speaker about old age pensions, not only for the old but for the blind and unfit. I have not the time to go into this matter in detail, but I wish to say that old age pensions should not be fixed on the basis of money. To me the whole question is: Can we or can we not produce sufficient goods in Canada to supply the old, the infirm and the blind with enough properly to feed, clothe and shelter them? If we cannot do that, then it is time we stopped talking about the marvellous richness of Canada. Personally I do not think there is any question that Canada can produce ample food, clothing and shelter to look after our old and infirm people in a decent and proper manner.

Before we export goods to foreign countries by means of long-term credits, we should look first to the old and needy in our own country. Exporting our production under long-term credits is pure inflation. If the government's object is to defeat inflation, why do we have such propaganda as is carried on by the Canadian soviet friendship council to encourage the exporting of goods to Russia on long-term credits?

I have not the time to deal with more than one or two items of unnecessary government expenditure. I should like to refer, first, to the film board, which, I understand, has 700 employees and whose sole purpose is propaganda. I take it that the people of Canada, the grown-ups, the adults, like the people of any other country, want to be amused, entertained by the radio. They do not need to be educated, they do not need to be instructed, and of those who say they do I would ask: Who is to do the teaching? Who is to do the instructing? I believe that the film board and the Canadian Broadcasting corporation have for years been the means of spreading communism, and that is very largely owing to their propaganda that we have the situation that we undoubtedly have in Canada at this time. Do not let anybody make the mistake of thinking that when we have rounded up the last of the spies, that is the end of communism and the end of traitors in Canada.

[Mr. Jaques.]

With regard to the C.B.C.—I have already referred more than once to its red network—I should like to quote a letter from a constituent of mine:

Dear Sir:

We are to-day registering our very great disapproval to the Prime Minister of the allocation of time by the C.B.C. to the different parties, especially to our own social crediters. The idea of putting social crediters in the same category as these "adjective" communists burns us up.

I want to make the strongest possible protest against this time given to the Labour Progressive party. Here we have an organization which has been identified by the royal commission as a spy network, beyond question working to undermine and destroy this country, the Labour Progressive party. They have not a member in this house. The one member they did have is now in prison for treachery. They do not run a single provincial government. The social crediters have thirteen members of this house, and for ten years they have conducted the government of the province of Alberta. Yet we get only the same amount of time as is allowed to the communists, the fifth column Labour Progressive party. There is something wrong somewhere and I want to make the strongest protest I can make against that. It is about time that we cleared off the C.B.C. speakers like Raymond Arthur Davis, Elmore Philpott and others and put on a few patriotic Canadians, instead of the agents of Moscow. It is not altogether fair to blame the spy ring—and they have not all been caught either. For years there has been propaganda, advocating the surrender of Canadian sovereignty. I have brought attention to it myself in this house. I can remember the film, "Mission to Moscow", which was introduced by the Prime Minister of this country (Mr. Mackenzie King) as the truth at a mass meeting in Maple Leaf Gardens, Toronto. That film has since been proved to be a lie from start to finish—pure propaganda from Moscow. That is one instance of it.

This Canadian soviet friendship council is another. That was identified last February, I believe, by the police as part of the spy ring, and I wrote a letter of protest against the council. But since then they have held meetings in the various provinces for the purpose, as they say, of promoting friendship with Soviet Russia, but the real purpose, of course, is to sell communism to the people. Not only that, but those meetings have been sponsored by the leading people of the provinces, from the lieutenant-governor down to the local mayor.

Coupled with that is the Canadian Zionist league. I say, coupled with it, because the directors of one are the directors of both. One begins to see the real aims of the Canadian Zionist league. Personally I have never been able to see the difference between communism and fascism, and I do not believe there is any fundamental difference between them. Let me quote Friedrich A. Hayek on that point. In his book, "The Road to Serfdom," he says, at page 184:

> And, undoubtedly, not merely the ideas which in Germany and elsewhere prepared totalitarianism but also many of the principles of totalitarianism itself are what exercises an increasing fascination in many other countries. Although few people, if anybody, in England would probably be ready to swallow totalitarianism whole, there are few single features which have not yet been advised by somebody or other. Indeed, there is scarcely a leaf out of Hitler's book which somebody or other in England or America has not recommended us to take and use for our own purposes. This applies particularly to many people who are undoubtedly Hitler's mortal enemies because of one special feature in his system. We should never forget that the anti-Semitism of Hitler has driven from his country, or turned into his enemies, many people who in every respect are confirmed totalitarians of the German type.

Put into plain English, I take that to mean this. Fascism you can describe as Gentile communism, and communism you can describe as Jewish fascism. I believe that is as near as you can get to it.

So far as the socialist ideas expressed by hon. members to my right are concerned, may I say that I have been familiar with socialism for thirty years or more, and I have not in the slightest degree altered my opinion that private enterprise, when it is not controlled, when it is not allowed to become monopolistic, when it really is private enterprise, has and does and will produce a far higher standard of living than any planned production that has yet been thought of.

Mr. MacNICOL: You are correct.

Mr. JAQUES: The whole case of socialism to-day is based on the false picture that is being painted of Russia—I have not time to go into it—but communism is the logical end of socialism. Communism is Marxism, the ultimate achievement of Marxism. As somebody has said, communism is merely socialism in a hurry. The information I get from my relatives in England—and I am happy to say that I have quite a number of them still living—is that they are not at all satisfied with the treatment they are getting at the present time from their Socialist government. I happened to read in the paper just this week that thousands of housewives paraded to parliament to protest against bread rationing.

Mr. BRYCE: Blame the Winnipeg grain exchange.

Mr. JAQUES: No, I will not blame the Winnipeg grain exchange, not in the slightest. If you want to know whom I blame, and whom I think the world will blame and, in fact, is now blaming, I will tell you. The basis of the protest of these people in England is this. They do not mind tightening their belts to feed starving people, but they are beginning to doubt in their minds as to who is getting the food which would otherwise be theirs. They do not trust the distribution; they begin to see that there is a lot of Strachey communism mixed up in it.

In closing, I cannot let this occasion pass without a reference to the late General Mihailovich, who was shot this morning. I made reference to General Mihailovich when I spoke on March 25 of this year. I then said as reported in *Hansard*, at page 238:

> I am going to say a word on behalf of General Mihailovich, who, I am sorry to say, has been captured. I know the stories that have been told; I know the other side, too. Let me quote a statement of the British ambassador to Yugoslavia, which is good enough for me.

I then quoted the ambassador as follows:

> All the accusations of the partisans that Mihailovich is a fascist, collaborating with the occupational forces, are completely unfounded, and spring entirely from the efforts of the partisans to blacken Mihailovich among the Serbian population, and frustrate him when the moment comes to seize power in the country. General Mihailovich from the beginning of the struggle has loyally collaborated with the allies and no one can doubt his loyalty as an ally or as the representatives in the country of the Yugoslav government.

The statement then was doubted by some, but Tito has condemned himself by speaking the truth at last. In a Reuter dispatch from London, dated July 15, he is quoted as saying this:

> The trial showed there is not only unity among the reaction but also among all democratic forces. Mihailovich associated with all forms of reaction at home and abroad. He did not shrink from having connections with the Catholic church, with the Croat peasant party. It was a coalition of reaction, and this coalition was defeated.

Yes; it was a Christian and a nationalist who was shot this morning; and my answer to Tito and all the rest of the bloody murderers is this: I will quote a little Christianity to them, not that I think it will do them any good. It applies as well to all totalitarians, to people who, when they meet opposition, have only one remedy, and that is to liquidate it, as millions have been liquidated in Europe since the war started,

as they are still being liquidated, and as we shall be liquidated if those devils ever get the upper hand in this country.

I saw something of these "Reds" in the United States a week ago. I was guest speaker in the city of St. Louis at a mass meeting called in the interests of Christian nationalism. It took 700 policemen to keep order and preserve freedom of speech in the city of St. Louis. The deputy chief of police came to our hotel and told my wife and myself that he would afford a proper escort for our car between the hotel and the auditorium. We had four police cars, and when we arrived at the Kiel auditorium there were 3,000 communist pickets outside the building trying to get in to break up the meeting. It took 470 policemen in uniform and 200 in plain clothes to restrain them, and the deputy chief of police told us that in reserve they had a gas-bombing squadron in case the thing got out of hand.

Some hon. MEMBERS: Oh, oh.

Mr. JAQUES: It is no laughing matter. We were told that the communists had sworn that this meeting would not be held. Thanks however to the police of St. Louis, we held our meeting of 800 people without a single interruption.

But let me finish by quoting, for the benefit of the Titos, the 44th verse of the eighth chapter of the Gospel according to St. John:

> Ye are of your father the devil, and the lusts of your father ye will do. He was a murderer from the beginning, and abode not in the truth, because there is no truth in him. When he speaketh a lie he speaketh of his own; for he is a liar, and the father of it.

On motion of Mr. Jaenicke the debate was adjourned.

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

Thursday, July 18, 1946.

The house met at three o'clock.

PRIVILEGE

MR. FRASER—REJECTION OF QUESTIONS SUBMITTED FOR ORDER PAPER—STATEMENT OF MR. SPEAKER

Mr. SPEAKER: The question of privilege raised yesterday by the hon. member for Peterborough West (Mr. Fraser) is very important as it bears upon one of the main privileges of members of parliament, namely the right to seek information on matters of administration for which the government is responsible to the House of Commons.

The hon. member sent in for the order paper a series of questions inquiring as to the number of motorcycles declared surplus by the army and air departments and asking how many of these vehicles had been disposed of through War Assets Corporation. The officer of the house whose duty it is to see that such questions are in order pointed out to the hon. member that the information sought could be obtained from the special committee on war expenditures and economies which was appointed on March 22 by the following resolution:

> That a select committee be appointed to examine the expenditure defrayed out of moneys provided by parliament for national defence and demobilization, and for other services directly connected with the war, including the disposal of surplus war assets, and to report what, if any, economies consistent with the execution of the policy decided by the government may be effected therein . . .

It seems, therefore, that the committee is the proper authority from which the information should be sought in connection with expenditures for defence, demobilization, and —please note—"for other services directly connected with the war, including the disposal of surplus war assets." The hon. member's questions come within the purview of the committee's powers. It is a well known principle in parliamentary procedure that the house cannot deal with matters referred to committees until those committtees have completed their work and reported to the house. I see in "May's Parliamentary Practice," 14th edition, recently published, the following as a type of question enumerated as being out of order:

> Dealing with matters referred to a royal commission or with matters before a parliamentary committee or with matters within the jurisdiction of the chairman of a select committee or the authorities of the house. No question can be asked regarding proceedings in a committee which have not been placed before the house by a report from the committee.

Moreover the chairman of this committee on war expenditures and economies, the senior member for Halifax (Mr. Isnor) has invited all the members of the house to ask questions dealing with matters referred to the committee. On March 26, as reported in the minutes of the proceedings of that committee, he said that the hon. member for Eglinton (Mr. Fleming) had asked to appear before the committee and follow up a question placed on the order paper; and he added:

> You are all familiar as to the answer given by the Minister of Reconstruction (Mr. Howe) yesterday, that Mr. Fleming would have the opportunity of asking the question before this committee. I have given this matter some thought, and I am just offering this to you as a suggestion, not as a ruling. I am going to

suggest to you that you give Mr. Fleming an opportunity at once to place his questions on file here with a view to having them answered, but in the future I am going to suggest that other members of parliament who are not members of this committee should pass along their questions either to the chairman or to another member whom they may select to place them before the committee. I think that in fairness to the members of this particular committee, Mr. Fleming and others should follow that suggestion so as to give our own members an equal opportunity to have questions answered which they have in mind and have had in mind for some time. There are some questions that Mr. Probe, Mr. Stewart and Mr. Shaw had before the committee last year that have not as yet been dealt with. I feel in fairness to them that my suggestion should be followed. Is it your pleasure that we hear Mr. Fleming to-day with that understanding as to future members?"

The motion was carried; the hon. member for Eglinton thanked the chairman and submitted a series of questions. This was good parliamentary practice. A matter cannot be before a committee and before the house at the same time; and the proceedings of a committee should not be interfered with by answers to questions and reports laid on the table of the house.

In disallowing for the time being the hon. member's questions, I fully realize that his right to seek information is unimpeachable, but I am merely pointing out to him that he is following the wrong procedure. It is his privilege to file his questions with the chairman of the war expenditures and economies committee. I would therefore ask the hon. member for Peterborough West to try the committee, and if he does not succeed there, he will be free to adopt any course which will be open to him under the rules of the house.

Mr. GRAYDON: I think perhaps there is another matter to be considered. In view of the importance of the decision which Mr. Speaker has just rendered, may I be permitted to say one word with respect to it, before seeking to appeal to the house with respect to Your Honour's ruling?

Mr. SPEAKER: I must say to the hon. member for Peel that the hon. member for Peterborough West rose yesterday on a question of privilege. If the hon. member will look at standing order No. 12 he will find that it states this:

12(1) Mr. Speaker shall preserve order and decorum, and shall decide questions of order, subject to an appeal—

And so on. I have made a statement in answer to the hon. member for Peterborough West respecting his question of privilege. It was not a ruling on a point of order. Since no point of order was raised, there is nothing before the house. The hon. member knows very well that when the hon. member for Peterborough West rose yesterday it was on a question of privilege. Therefore I do not believe any debate is permissible, and moreover, there can be no appeal.

Mr. GRAYDON: I was seeking to say a word in this connection, with Your Honour's consent, because it is an important matter. I shall try to be constructive in what I say. I should like very much to be able to say a word about it.

Mr. COLDWELL: Mr. Speaker, may I ask a question? Did you make a ruling, or did you make a suggestion to hon. members in the house as to what would be good procedure?

Mr. SPEAKER: I tried to be very clear. I said that I was not making a ruling, because no question of order was before the house. The hon. member for Peterborough West rose on a question of privilege, and I told him that I would answer his question to-day. As a consequence of that I made the statement to the house as to what would be good procedure. Now, if the hon. member for Peel wishes to say something I might listen to him, but I give no guarantee that I will let him enter into a debate on the subject.

Mr. GRAYDON: Mr. Speaker, I wish only to make a constructive suggestion. In our opinion this is a very important matter, one which goes to the very root of the rights of hon. members of the House of Commons, namely that of asking a question at the proper stage. I point out to Your Honour, with great deference, that in applying common sense to the rule affecting questions asked in the house respecting proceedings before a committee I believe Your Honour should not go so far as to rule out any questions asked in the House of Commons just because a committee might have jurisdiction to deal with a wide variety of subjects. There is a vast difference between the proceedings currently before a committee, and the jurisdiction such committee may exercise, which may never reach the points of questions the hon. member for Peterborough West or other hon. members may ask here.

The other point is this, if I may say so, that if that ruling were adhered to—and I am hopeful that Your Honour, with your usual fairness, will not hold us too closely to it—

Mr. COLDWELL: He has not ruled.

Mr. GRAYDON: I think he has, if I may make that reply to the hon. member for Rosetown-Biggar (Mr. Coldwell). Such a ruling would mean that I as a member of the House of Commons, but not a member of the committee on veterans affairs, could not ask a question as to the number of overseas men

still to come back to Canada. If this ruling were followed, I could not ask such a question. The same would apply to questions respecting the Department of National Defence. Every question respecting veterans affairs would fall into the same category.

While I do not wish to take up too much time, this is an important matter and I hope that what I say will be accepted by Your Honour as a constructive suggestion. If this ruling were followed no question could be asked on the whole matter of industrial unrest in Canada until the committee brought in its report. In all fairness to hon. members who are not members of that committee, surely we cannot go so far as to adopt a rule which would debar them from asking such questions.

The other point is that perhaps some day the estimates of all departments will be referred to standing committees. That has been suggested, and it may be that the rules committee will follow the suggestion in its report. But if that is done I would point out to Your Honour that from that day forward you might as well wipe the order paper clear of all questions, because an hon. member would never be permitted, as an ordinary member of the house, to ask a single question if he were not a member of that committee. It seems to me that this interferes with the rights of hon. members who are not serving on committees. If one is a member of a committee he can ask questions; but one cannot attend before all committees. If an hon. member has five questions to ask, he cannot be on five different committees at one time.

Some hon. MEMBERS: Order.

Mr. GRAYDON: Before sitting down I should like to say one word further.

Mr. SPEAKER: Order.

Some hon. MEMBERS: Order.

Mr. GRAYDON: Well, if the government is going to take the position that you cannot—

Mr. ST. LAURENT: I object to the hon. member's charging the government with having taken a position. The government has not taken a position on this.

Mr. GRAYDON: The government is taking a position. The very fact that you are standing up in the house is an indication that you are taking a position.

An hon. MEMBER: Sit down.

Mr. GRAYDON: I will not sit down for you or anybody except His Honour.

Some hon. MEMBERS: Order.

Mr. GRAYDON: And you are one of the worst offenders, too.

[Mr. Graydon.]

Mr. SPEAKER: Order. The hon. member will admit, I think, that I have given him plenty of latitude.

Mr. CASSELMAN: Until he was railroaded.

Mr. SPEAKER: That statement is unparliamentary. Order.

Mr. IRVINE: We cannot hear what you are saying, Mr. Speaker.

Mr. SPEAKER: Order.

Mr. IRVINE: Disorder!

Mr. SPEAKER: Order. The hon. member will admit, I believe, that a ruling by the Speaker is not a matter of giving Mr. Speaker's own interpretation, or his own ruling, to the house. Rather it is a matter of following the practice and the rules of the House of Commons, as laid down. In my statement I took the trouble to quote May. I do not believe any hon. member will doubt the authority of May on these subjects. In his 14th edition he states:

> Dealing with matters referred to a royal commission or with matters before a parliamentary committee or with matters within the jurisdiction of the chairman of a select committee or the authorities of the house. No question can be asked regarding proceedings—

Mr. GRAYDON: "Proceedings".

Mr. SPEAKER:

> —in a committee which have not been placed before the house by a report from the committee.

So far as this question is concerned, I have read also to the hon. member part of the proceedings of a committee where the chairman of the committee gave permission, not only to hon. members serving on the committee but to every hon. member in the house, to put questions before it.

Mr. HOMUTH: Mr. Speaker, have you given a ruling?

Mr. FRASER: Mr. Speaker, I think you have suggested what I should do. May I now ask you if I may place these questions on the order paper?

Mr. SPEAKER: Order. I have told the hon. gentleman what he should do. I consider the incident closed, and we should carry on with the business of the house.

Mr. GRAYDON: Are we to be permitted, sir, to appeal from your ruling on this matter?

Mr. FRASER: Mr. Speaker, the reason I asked—

Mr. SPEAKER: Order.

Some hon. MEMBERS: Order.

Mr. SPEAKER: I have been very generous with hon. members. I told them at the begin-

ning that the statement was not debatable and that there could be no appeal. I have given an opportunity to the hon. member for Peel to make a statement, despite the fact that this is not debatable. I think my generosity might be taken into consideration, and I would ask—

Mr. GRAYDON: Mr. Speaker, I desire to appeal from your ruling.

Mr. SPEAKER: Presenting reports by standing and select committees.

Mr. GRAYDON: We desire to appeal from your ruling, Mr. Speaker.

Mr. SPEAKER: I have decided that no member can appeal, because it is not a decision, it is a statement. It was not a ruling that I gave, because I had no point of order before me.

Mr. FRASER: I cannot get satisfaction—

Some hon. MEMBERS: Order.

Mr. FRASER:—from the committee, and that is why I inquired whether I could place them on the order paper.

Some hon. MEMBERS: Order.

Mr. CHURCH: We are bound by British parliamentary practice. We shall soon need a police force in here.

Mr. HOMUTH: I rise to a question of privilege.

Mr. SPEAKER: Order. The hon. member knows the rules of the house and understands perfectly well the difficulty the Speaker may have in enforcing them. I hope no hon. member will act in such a way as to oblige the Speaker to use the power that he has to keep order and decorum in the house.

Mr. HOMUTH: Mr. Speaker—

Mr. FRASER: Mr. Speaker—

Some hon. MEMBERS: Sit down.

Mr. HOMUTH: I rise to a point of order.

Mr. SPEAKER: There can be no point of order because there is nothing before the house.

Mr. CHURCH: I wish to appeal your decision.

Mr. HOMUTH: I rise to a question of privilege. On several occasions during this session I have submitted questions to the Clerk with the idea of getting certain answers from War Assets corporation. They have been returned to me with the statement that these matters must come before the committee. These matters have not been brought before the committee, because you have no chance with the present government majority.

Mr. SPEAKER: Order. I will ask the hon. member to resume his seat.

Mr. CHURCH: Parliamentary government is now at an end here.

MR. STEPHENSON—ANSWER TO QUESTION PASSED AS ORDER FOR RETURN

Mr. C. E. STEPHENSON (Durham): Mr. Speaker, I rise to a question of privilege with reference to the accuracy of the answers given to certain questions which I placed upon the order paper. On Thursday, July 11, an order of the House of Commons was tabled in answer to questions which had been standing in my name since May 27, 1946. Two of these questions were as follows:

1. How many houses are being built on No. 2 highway near Port Hope under the Veterans Land Act?
2. When will they be completed?

The answers tabled were as follows:

1. Four.
2. Houses are completed except for hardwood flooring, which is now being laid, and electrical connection with the hydro-electric power line.

My question of privilege is this: We in this house should be able to rely upon the accuracy of answers tabled in the house; yet a personal inspection of the houses in question made on Sunday, July 14, after the reply was tabled, showed that the houses are by no means complete, having nothing inside them except the studding and sub-floors. The following yet remains to be done: Wallboard, with the exception of one house, has not been completed; no plastering, painting, cupboards, doors, plumbing, trim and many other items necessary to make the structures complete. I would like an explanation of these inaccuracies and a proper reply to my question tabled.

Mr. SPEAKER: Presenting reports by standing and select committees.

Mr. HOMUTH: Mr. Speaker, the hon. member has asked a question and he has a right to an answer.

Mr. SPEAKER: The hon. member will realize that we have not yet arrived at the period for questions.

Mr. HOMUTH: Mr. Speaker, this is not a question that is on the order paper.

Mr. SPEAKER: I would ask the hon. member to resume his seat.

[*Later:*]

On the orders of the day:

Mr. STEPHENSON: I would like to ask the responsible minister, or in his absence the Secretary of State if he has any comment to make on the question I raised previously, with regard to the inaccuracy of a return brought down in answer to a question of mine.

Right Hon. C. D. HOWE (Minister of Reconstruction): The hon. member for Durham is well aware that the minister responsible for the veterans housing is not in his seat, nor is his parliamentary assistant. I shall be very glad to call the attention of my colleague to the remarks that have been made to-day, and I am sure that he will make a statement at some later date.

[*Later:*]

Hon. IAN MACKENZIE (Minister of Veterans Affairs): Mr. Speaker, I wish to speak to a question of privilege. I was detained on other duties at three o'clock when the hon. member for Durham (Mr. Stephenson) raised a question regarding certain replies to questions he had asked in the house. I made an immediate investigation of the situation, because my right hon. friend who sits to my left (Mr. Howe) said he would refer the matter to me.

I find that there was certain justification for the hon. member's complaint. Officials of the department in making reply confused the Bowmanville project with the Port Hope project, and the reply to question 6 in regard to the Port Hope project was incorrect. I apologize at once to the hon. member and the house for the misinformation inadvertently conveyed by the officials of the department.

MARINE AND FISHERIES

First report of standing committee on marine and fisheries—Mr. Reid.

QUESTIONS

(Questions answered orally are indicated by an asterisk)

Mr. SPEAKER: Questions.

Mr. HOMUTH: In view of the fact that when the hon. member for Durham (Mr. Stephenson) criticized the answers he had received you referred him to the question period, I would ask you, sir, —

Mr. SPEAKER: I would remind the hon. member that it is the practice in the house for members to ask questions of ministers before the orders of the day are called.

Mr. HOMUTH: Mr. Speaker, you—

Some hon. MEMBERS: Sit down.

Mr. HOMUTH: —asked the hon. member—

Mr. SPEAKER: I would ask the hon. member to resume his seat, and I hope it will be the last time.

DEATHS FROM CANCER AND OTHER DISEASES

Mr. FAIR:

During each of the years 1930 to 1945 inclusive, and up to June 30, 1946, how many persons in each province died as a result of (a) cancer; (b) tuberculosis; (c) infantile paralysis; (d) sleeping sickness; (e) arthritis?

Mr. MacKINNON:

(a) Cancer

	Can.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
1930	9,273	92	558	370	2,346	3,635	602	480	482	708
1931	9,578	86	594	409	2,403	3,726	610	585	441	724
1932	10,024	128	628	421	2,483	3,825	670	568	539	762
1933	10,653	96	638	451	2,725	4,044	673	593	590	843
1934	10,581	95	688	410	2,665	4.034	660	636	572	821
1935	11,156	79	617	466	2,848	4,214	786	631	622	893
1936	11,694	108	687	459	2,939	4,441	775	710	641	934
1937	11,963	137	717	466	3,033	4,547	738	689	598	1,038
1938	12,038	138	688	466	3,191	4,472	774	641	681	987
1939	12.399	107	730	498	3,206	4,567	850	749	648	1,044
1940	13,322	113	762	533	3,591	4,847	808	736	759	1,173
1941	13,417	109	792	480	3,521	4,931	863	815	712	1,194
1942	13,654	115	745	512	3,672	5,005	871	756	784	1,194
1943	14,135	116	780	546	3,793	5,193	890	779	748	1,290
1944	14,271	95	769	507	3,831	5,236	888	814	781	1,350
January to June, 1945.	7,018	49	401	263	1,875	2,581	417	376	380	676

(b) Tuberculosis

	Can.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
1930	8,075	103	548	392	3,350	1,791	456	407	408	620
1931	7,616	68	524	339	3,178	1,728	429	326	382	642
1932	7,166	88	519	328	2,983	1,604	397	281	401	565
1933	6,939	72	478	352	2,927	1,465	414	297	390	544
1934	6,431	93	467	285	2,680	1,337	389	293	318	569
1935	6,597	60	488	335	2,813	1,303	432	272	329	565
1936	6,763	61	485	357	2,890	1,327	420	279	382	562
1937	6,669	65	461	388	2,769	1,315	426	303	340	602
1938	6,126	81	415	342	2,616	1,237	349	271	280	535
1939	5,977	63	428	286	2,680	1,085	367	233	283	552
1940	5,789	56	415	295	2,503	1,011	369	241	321	578
1941	6,072	70	429	314	2,685	1,100	328	284	329	533
1942	5,980	43	379	330	2,719	1,093	336	251	271	558
1943	6,168	42	417	225	2,842	1,101	384	250	294	613
1944	5,724	58	357	238	2,624	1,068	348	223	291	517
January to June, 1945.	2,882	19	159	145	1,388	522	149	120	130	250

(c) Infantile Paralysis

	Can.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
1930	215	1	8	3	44	92	6	21	32	8
1931	223	1	10	2	150	28	2	11	8	11
1932	164	..	4	2	111	24	2	6	14	1
1933	73	..	6	3	27	15	5	8	7	2
1934	84	..	4	3	18	39	3	10	4	3
1935	64	2	2	1	14	14	10	5	15	1
1936	97	1	1	..	15	23	37	9	4	7
1937	200	..	8	5	21	119	12	22	13	..
1938	83	..	1	4	16	25	11	7	15	4
1939	56	1	3	1	14	23	5	1	5	3
1940	48	1	3	..	17	14	5	2	4	2
1941	68	..	4	19	3	10	20	3	8	1
1942	64	4	17	8	19	12	1	3	..	..
1943	26	..	1	2	10	8	1	3	..	1
1944	38	..	1	4	1	21	7	1	1	2
January to June 1945.	4	..	..	..	2	1	1	..	..	..

(d) Sleeping Sickness

	Can.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
1941	40	..	4	..	5	12	5	6	5	3
1942	34	..	..	..	6	16	5	5	1	1
1943	31	..	3	..	4	8	6	2	3	5
1944	22	..	..	..	3	8	4	5	1	1
January to June 1945.	17	..	..	1	4	7	2	..	3	..

Figures not available for the years 1930 to 1940.

(e) Arthritis

Figures not available, under present international list classification adjustment being made by a special committee of the United States, which includes representation from Great Britain and Canada to cover this deficiency in the list.

63260—225

REVISED EDITION

WAR ASSETS—SALES OVER $4,000 TO FIRMS, CORPORATIONS OR INDIVIDUALS

Mr. CASTLEDEN:

1. To what firms, corporations or individuals in (a) Ottawa; (b) Montreal; (c) Toronto; (d) Winnipeg, have surplus (1) scrap metal; (2) plumbing fittings and fixtures; (3) electrical equipment; (4) trucks; (5) passenger cars; (6) tractors; (7) machine tools and equipment; (8) aircraft engines; (9) non-ferrous metals; (10) clothing, been sold by War Assets corporation or War Assets Limited in excess of $4,000?

2. What is the value of the sales made to each of such firms, corporations or individuals as of April 1, 1946?

3. Which of the above firms, corporations or individuals are classed as "recognized dealers" by War Assets corporation?

Mr. SPEAKER: Stand.

Mr. FRASER: This question has reference to War Assets corporation, and it appears on the order paper. Why not mine?

Mr. SPEAKER: Stand.

Mr. FRASER: May I have an answer?

Mr. SPEAKER: Stand.

RADIO BROADCASTING—STATIONS CKY AND CKX

Mr. THATCHER:

1. Have the licences of radio stations CKY, Winnipeg, and CKX, Brandon, been cancelled or relinquished?
2. If so, at what date?
3. If not, what is the present status of these Stations?

Mr. SPEAKER: Stand.

Mr. FRASER: This concerns the Canadian Broadcasting corporation, which is before a committee too, Mr. Speaker.

QUESTION PASSED AS ORDER FOR RETURN

PATENT INSTITUTE—REPRESENTATIONS TO SECRETARY OF STATE

Mr. GRAYDON:

1. During the past year has the Secretary of State received a memorial from the council of the Patent Institute of Canada?
2. If so, upon what date was the said memorial received?
3. What steps have been taken by the government to institute any or all of the reforms outlined in the said memorial?

CANADIAN INFORMATION SERVICE

COORDINATION OF AND ASSISTANCE TO GOVERNMENT INFORMATION SERVICE

Hon. BROOKE CLAXTON (Minister of National Health and Welfare) moved that the house go into committee at the next sitting to consider the following resolution:

That it is expedient to present a bill to establish a Canadian information service for collecting and distributing abroad information concerning Canada and to coordinate and assist the information service of the government and to provide for payment of salaries of staff and expenses of the service from moneys appropriated by parliament.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the consideration of the house.

Mr. CHURCH: The department should be abolished. It is an expensive luxury.

Motion agreed to.

EMPIRE TRADE

REPORTED MEETING THIS AUTUMN ON QUESTION OF PREFERENCES

Right Hon. L. S. ST. LAURENT (Minister of Justice): May I be permitted to answer a question submitted yesterday by the hon. member for Vancouver South (Mr. Green). The question was as follows:

I should like to direct a question to the Minister of Trade and Commerce. A Canadian Press dispatch published this morning indicates that a conference may be held this fall to consider the whole question of empire trade preferences. Will the minister make a statement in that regard?

The answer is as follows: There have been no arrangements made for a commonwealth conference on empire trade preferences this fall. The conference scheduled for this fall is that to which the Prime Minister made reference in his answer on July 5, which is to be found at page 3205 of *Hansard* of that day, to the question addressed by the hon. member for Peel (Mr. Graydon), namely, a preparatory committee meeting of the economic and social council in London on October 15, the purpose of which is to explore the general principles of the proposals for the expansion of world trade and employment put forward by the United States.

It is expected that negotiations on tariffs and preferences will be held in 1947 and that these will include commonwealth discussions on preferences.

Mr. HOMUTH: May I ask a supplementary question? In view of the fact that the United States loan to Britain has been approved by congress, with certain considerations attached respecting tariffs—between Britain and other countries, have they any effect at all on the tariff situation between Canada, Britain and the United States?

Mr. ST. LAURENT: The matters of tariff arrangements and preferences are scheduled for discussion at the conference which was originally called by the United States government and which has now been taken under the aegis of the economic and social council of the united nations.

BEEF

REVISION OF SCHEDULE OF PRICES AND GRADING

On the orders of the day:

Mr. MARK C. SENN (Haldimand): Mr. Speaker, I should like to direct a question to the Minister of Finance, under whose department the wartime prices and trade board operates. The daily newspapers of yesterday carried an announcement that a revision of the schedule of beef prices and grading allows an increase in the wholesale ceiling prices on red and blue brand beef, effective July 22. Has any provision been made to allow those with slaughter permits where no official grading is possible to enjoy these increases in price? This is urgent, Mr. Speaker, because the changes go into effect on Monday next.

Right Hon. J. L. ILSLEY (Minister of Finance): I received no notice of the question and therefore am unable to answer it at the moment. It will be necessary for me first to make some inquiries, but I shall try to see that the answer is given to-morrow.

WHEAT

ONTARIO WINTER WHEAT POLICY, 1946-47

On the orders of the day:

Hon. J. A. MacKINNON (Minister of Trade and Commerce): Mr. Speaker, I wish to make a brief statement on the Ontario winter wheat policy.

During the crop year 1945-46, Ontario winter wheat was sold at a ceiling price of $1.26 per bushel for No. 1 Canada eastern winter wheat, basis delivered at Montreal. There was an appropriate flour ceiling. Producers were also given the proceeds of an Ontario wheat equalization fund, arising from collection of an equalization fee on the exports of Ontario winter wheat flour. To place a floor under these prices, the Canadian wheat board was empowered to buy No. 1 Canada eastern winter wheat at $1.25 per bushel, basis delivered at Montreal. No purchases by the board were necessary, because commercial interests bought the wheat at the ceiling price.

It had originally been intended to raise the ceiling on Ontario wheat to $1.35 per bushel for the crop year beginning July 1, 1946, and to permit a corresponding increase in the domestic price of winter wheat flour and the products thereof, but in view of recent developments in price control policy this step is not being taken. Instead producers will receive at time of delivery an additional nine cents per bushel which will be paid by the Canadian wheat board on behalf of the government.

In addition, the wheat board will pay to producers at time of delivery an amount of five cents per bushel in lieu of any payment from the equalization fund that will be operated as before with the government absorbing any profit or loss therein. By this payment at time of delivery, the difficulties and expense of making a subsequent small payment will be avoided. It is felt that this system will be more satisfactory to the producers.

The net effect will therefore be that producers of Ontario wheat will receive, in addition to the price paid by the purchaser under the existing price ceiling, an amount of 14 cents, nine cents of which represents the equivalent of an increased price and five cents of which represents a fixed and final payment out of the Ontario wheat flour equalization fund. The Canadian wheat board will continue to maintain a floor at $1.25.

I should perhaps add, for the sake of clarity, that no adjustment is being made in the price ceiling on Ontario wheat or products made therefrom.

Mr. HOMUTH: The minister in his statement referred, I think, to a ruling of the wartime prices and trade board. What was that ruling? Perhaps the minister would clarify that part of his statement.

Right Hon. J. L. ILSLEY (Minister of Finance): There was no reference in my colleague's statement to a ruling by the wartime prices and trade board. There was a reference to recent developments in price control policy, and the reference there was to the statement I made recently that having already made a number of changes and taken a number of articles out from beneath price ceilings, and having also made an adjustment of the Canadian dollar in terms of the United States dollar, we intended now to hold the line and did not feel that we could do it if we permitted an increase in the ceiling on Ontario flour, but that rather we would adopt the subsidy method to bring about the same result.

Mr. WRIGHT: In view of the increased domestic price just announced by the minister for Ontario winter wheat, has he given consideration to increasing the price for western wheat used for milling in Canada?

Mr. MacKINNON: That and other matters relating to the production of wheat in Canada are at present under discussion.

CIVIC HOLIDAY

INQUIRY AS TO PRESENT STATUS

On the orders of the day:

Mr. T. L. CHURCH (Broadview): In view of the new order in council respecting holidays, may I ask the Secretary of State what is the present status of civic holiday, the first Monday in August? Is it to be just a provincial holiday?

Hon. PAUL MARTIN (Secretary of State): That is a civic holiday.

IMMIGRATION

FIANCEES OF CANADIAN SERVICEMEN SEEKING TRANSPORT TO CANADA

On the orders of the day:

Mr. STANLEY KNOWLES (Winnipeg North Centre): I should like to ask a question of the Minister of Mines and Resources. Has an office of the Canadian wives bureau been opened at The Hague? If so, is it not possible for this bureau to assist the fiancees of Canadian servicemen as well as brides who are seeking to come to Canada?

Hon. J. A. GLEN (Minister of Mines and Resources): There is a Canadian wives bureau stationed at The Hague, under the jurisdiction of the Department of National Defence (Army), which deals with the wives and dependents of servicemen. There are a great number of them still over there, and as I indicated on Tuesday last we are endeavouring to speed up the facilities in order that these dependents may be brought to Canada. I hope that will be in a very short time. It is also true that a number of Canadian servicemen have become engaged overseas during the war, but I would point out to the hon. member that it would not be possible, without the creation of hardship and hard feelings, to give the fiancees a preference over the wives and children of servicemen who are still over there. As a matter of fact, just before I came down to the house I replied to a letter of one hon. member who had asked about the wife and children of one serviceman who wished to get them over here, and pointing out the difficulties. The department is very anxious indeed to relieve the anxiety of any Canadian citizens who are in the position indicated by the hon. member.

Mr. CHURCH: I hope the minister will give consideration to immigration from Britain, as he promised to do a month ago.

Mr. SPEAKER: Order.

[Mr. MacKinnon.]

MEDICAL INSPECTION OF IMMIGRANTS

On the orders of the day:

Mr. L. W. SKEY (Trinity): I should like to address a question to the Minister of Mines and Resources. By what definite dates do the government expect to set up medical inspection facilities in Europe for immigrants and fiancees, with special reference to Holland and Italy?

Hon. J. A. GLEN (Minister of Mines and Resources): I cannot give any definite date. I have had an officer in Paris inspecting with regard to accommodation there. I am also informed that there is great difficulty in obtaining it, and I made a statement on the subject in answer to a question which the hon. gentleman asked me before, with regard to the facilities, which will be found in *Hansard* of Tuesday last.

Mr. CHURCH: What arrangements is the minister going to make with regard to immigration from Great Britain?

Mr. GLEN: We have no objection to persons coming in who are medically inspected and satisfy the requirements of the regulations and will not be a charge on the country.

LABOUR CONDITIONS

TYPOGRAPHICAL UNION—SOUTHAM NEWSPAPERS

On the orders of the day:

Mr. STANLEY KNOWLES (Winnipeg North Centre): May I direct to the Minister of Labour a question with respect to the dispute between the international typographical union and the Southam newspapers? Is the minister taking any further steps to bring the parties together? What are the prospects for an early settlement of this dispute?

Hon. HUMPHREY MITCHELL (Minister of Labour): As the hon. member has said—

Mr. SMITH (Calgary West): I rise to a point of order. It seems to me, Mr. Speaker, that on the ruling made a moment ago, that question cannot be asked or answered, because there is a committee sitting.

Mr. COLDWELL: I rise to a point of order. I understand, Mr. Speaker, that you did not make a ruling; you made a statement to the house and requested hon. members to be governed by your advice. Is that understanding correct?

Mr. SPEAKER: The hon. member is correct. I have said two or three times that I did not give a ruling. I made a statement.

Mr. KNOWLES: Will the Minister of Labour answer my question?

Mr. MITCHELL: Certainly I will answer the question.

Mr. HOMUTH: I rise to a question of privilege.

Mr. SPEAKER: Order. I hope the hon. gentleman will help the Speaker to keep decorum and dignity in this house. It is the privilege of a minister to answer an oral question or not to answer it if I permit the question to be put by the hon. member; yet if the minister does not want to answer it he does not have to do so.

Mr. HOMUTH: He is out of order if he does so.

Mr. GRAYDON: If the minister answers this question we are going to ask to have our question answered. You cannot make fish of one and flesh of another.

Mr. MITCHELL: If I—

Mr. GRAYDON: At your own risk.

Mr. MITCHELL: Let us for once act like grown-up men.

Mr. SPEAKER: I suggest to the hon. member that he prepare his question for the order paper, and we shall see then if it can be put.

Mr. KNOWLES: Apparently the minister is ready to answer the question. I suggest he be allowed to go ahead.

Mr. SPEAKER: I would ask the hon. member to accept my suggestion. I have asked the hon. gentleman to prepare his question for the order paper and submit it to the proper officials, and if it is in order it will be put on the order paper.

Mr. KNOWLES: We might as well go home.

Mr. FRASER: You can see how ridiculous the whole thing is now.

THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed from Wednesday, July 17, consideration of the motion of Right Hon. J. L. Ilsley (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Macdonnell, and the amendment to the amendment of Mr. MacInnis.

Mr. F. E. JAENICKE (Kindersley): Mr. Speaker, my colleagues in this group have covered practically all our objections and the particularly weak points in this budget, as far as we view these points in the light of our platform and in the light of the economic and social principles which we believe will lead to security and the happiness of the vast majority of the Canadian people.

I wish to deal particularly with the budget proposals as they affect the farmer, and particularly the farmer in the west. It seems to me that in most countries, in most civilized countries in any event, the farmer is always the forgotten man, at any rate if we consider the broad principles of economics as contained in the national budget. The only provision in this budget concerning the farmer as such is the resolution that the farmer shall be allowed to average his income over a period of three years. While I am thankful for this concession, it is but a small dose of relief. The constituency which I have the honour to represent is purely an agricultural area. In my business and profession as a lawyer I represent farmers exclusively, and during the long years of practising my profession I have acquired an intimate knowledge of the farmer's business and especially of his financial and economic difficulties.

I may say that there are a large number of farmers in my constituency who are paying income tax, and it is a matter of very vital importance to them, especially during the last two years. During the parliamentary recess last winter I had occasion to talk to my constituents, my farmer constituents, about income tax in general. I heard numerous complaints and suggestions about farmers' income tax, and I have compiled these into six points which I shall place before the house and upon which I shall elaborate. I may say that these points, although I endorse them fully, are not my own but are those of the farmers in my constituency, and I deem it my bounden duty as their representative to place them before this house and before the minister.

Here are the points:

1. The farmer does not mind paying his share of the national tax load by way of income tax, provided that it is fairly, justly and equally imposed.

2. He thinks that, because of the whims of nature—his is a very hazardous business, giving him a bountiful crop one year and practically nothing another year—his income should be averaged over a period of at least five years.

3. The form of income tax returns which is required to be completed needs the employment of a bookkeeper and should be simplified.

4. The actual assessments are delayed too long.

5. Additional exemption should be allowed to a farmer who has the help of his wife and of his children, without whose help he could not have the income on which he is taxed.

6. Some of his old debts should be allowed as deductions.

The first point I mentioned was that the farmer does not object to bear his fair and equitable burden, provided that he is satisfied that everyone else carries his load. The fact is that the farmer is not satisfied that everyone bears his fair share. A farmer who makes his return every year, because he has been requested to do so, has a feeling that some of his neighbours escape the arduous duty of filling in that form and of paying the tax. Of course he does not know, and often his suspicion is unfounded and the neighbour whom he suspects of delinquency may think the same of him. But in our province of Saskatchewan I am sure the tax-paying farmer knows that some persons are not making returns and are not paying their taxes, because they boast that they are not doing so; and some of these persons are the Saskatchewan taxpayers association—not to be confused with the income tax payers association. So far as I can gather, the officers of this association, and especially the secretary, claim that under our constitution as it stands, or as it should stand, according to his contention, the dominion has no authority to collect income tax. I offer no opinion on this question, because, I mention later, the matter is *sub judice,* and being a lawyer I have the greatest respect for judicial decisions. So far as I am concerned the question has already been decided. It was decided in 1924 by the privy council. The fact remains, however, that many people, especially farmers, because of the feeling that the tax is not fairly and justly borne rather than because of the intricate constitutional question, have joined the association. This has gone on now for almost two years, so far as I can find out, and only within the last month has action been taken against the secretary. He advised me that he had been prosecuted last month and was defending the case on the constitutional ground. Yesterday I saw a clipping in the Saskatoon *Star Phoenix* reporting that his case came up last Friday and was adjourned again because apparently the attorney general for Canada had not yet acknowledged his notice that the constitutional question was to be raised, although he had received an acknowledgement from the attorney general of the province. This man is defending himself. I do not know whether he is without the means to retain a lawyer, or whether he is unable to get a lawyer to review the matter and give an opinion. In any event, as I say, this man is defending his own case and his defence should be facilitated by the Department of National Revenue to bring the issue to an early conclusion.

I do not know this gentleman personally, and have never approached him by letter—that is the secretary of the association, Mr. Smith. But he saw the press dispatch in the Saskatoon *Star Phoenix* dealing with the answer I received from the ministry to a question I placed on the order paper three months ago, pertaining to the refusal of persons to file income tax returns on constitutional grounds. The question and answer will be found at page 421 of *Hansard.* I did not refer to the Saskatchewan Tax Payers Association in that question, by the way. However, he wrote to me, after seeing that press dispatch in the Saskatoon paper, and he states in part:

> Just to keep the record straight, the Department of National Revenue have not to date proceeded against any member of our association. Numerous threats have been received. No action has been taken. We requested that the department produce its source of authority. They seemed reluctant to state.

Before I had time to reply to the letter, I had another from Mr. Smith dated April 8, 1946, in which he stated in part:

> As the income tax division here in Saskatoon have been sending out multigraphed forms threatening to sue our members, it was necessary for us to get a form letter multigraphed to answer them. Enclosed is a copy.

The multigraphed letter form, of which the department must have received scores, perhaps hundreds, reads:

> The inspector of income tax, Federal Building, Saskatoon, Sask. Attention Mr. W. S. Mackenzie.
>
> Dear Sir:
>
> Re Income Tax
>
> I am a member of the Saskatchewan Tax Payers' Association which was organized last year to bring to the attention of the legislature the advantage and desirability of the province repossesing all rights to the collection of income tax. The dominion-provincial conference adjourned February 7 last without reaching a decision on this question. Prime Minister W. L. Mackenzie King in a letter to us states "that this matter has been referred to the Department of Justice for consideration and attention."
>
> As the premiers are to meet again this month I am awaiting the results of this conference before making returns to your office.
>
> I am, sir,
>
> Yours truly,

I repeat, I offer no opinion on the constitutional question involved. I complain, however, that this matter has been allowed to drag along for almost two years, creating doubts in the minds of people, especially the farmers. In view of the publicity which the association

has received in the Saskatoon paper about its contention, without action being taken to decide the issue, these doubts were reasonable doubts and I cannot blame any layman for joining the association if it offered some relief in respect of a tax which he feels is not justly and fairly borne by all the people. Likewise in one large area in my constituency the feeling of unfairness is particularly strong. It will surprise some members of the house to learn that there are several farmers in that portion of my constituency who were subject to excess profits tax, and they may still be in that category, although in last year's budget some relief was granted them by the amendments to the excess profits tax legislation. These cases, I admit, are rare. However, here is an example. One farmer had an income a few years back of a little over $19,000. This is not excessive, because he farms over six sections with a cultivated area of over 4,000 acres. The minister took everything from him except $5,000. That is, on an income of a little over $19,000, he paid more than $14,000. He is one of the finest patriotic gentlemen I have ever had the pleasure of meeting. He did not complain because the tax was high, but he said in discussing his plight with me that he would not object if industry, especially monopolistic industry, bore a like burden, and he pointed to concessions by way of accelerated deductions in depreciation given to the Aluminum Company of Canada and other monopolies which are mostly foreign-owned corporations. He referred me to the capital gains made during the war by large industrial corporations after payment of taxes. No wonder the farmers are bitter about income tax.

I admit that this farmer is a fairly large operator, but being unable to replace worn-out machinery and to make depreciation deductions for machinery because it is too old, he is now faced with the necessity of acquiring new equipment as soon as it is available. But he was not allowed to set up a reserve in order to purchase the new equipment he now needs.

While this feature of the excess profits tax was eased somewhat, the feeling persists, and I believe rightly so, that the farmer, after many years of crop failure and disastrous economic conditions, is not fairly treated as compared with industry.

My second point is that the farmer should be entitled to average his income over a period of five years instead of three, as proposed by the minister. That period of three years may be sufficient to meet the needs of the farmer in the east, where the weather is not as capricious as it is on the prairies. Let me give one concrete example. A farmer in my constituency, who did not think he was liable for income tax because according to his bank account he was going into the hole, was finally requested to make returns for 1942, 1943 and 1944. It took us a period of several months to get all the vouchers and accounts ready. The matter is now settled and this is the position. In 1942 he operated at a loss of $1,160.28. He is a fairly large operator. In 1943, when most of his 1942 crop was marketed and when his 1943 crop was completely hailed out, his net income was $2,591.81, and in 1944 his net income was $1,180.29. He was not taxed. He is a married man. The inspector did allow the 1942 loss to be applied on the 1943 income, which left a small taxable income of $1,431.56 for 1943. As I have already said, the 1944 income was not taxable. The big headache comes in 1945. In that year he marketed almost $11,000 worth of cattle; and he was obliged to do so, not by choice but rather by force of circumstances. In the fall of 1944, just when he had a bunch of cattle ready to take to market, a bottleneck developed in the packing plants and he was not able to sell his stock until early in 1945. Later that same year he had his regular allotment ready for market, and sold them. Then in the fall he found that because of crop failure in that particular district, resulting from drought, he had insufficient feed to carry all his cattle through the winter, and he was forced to sell a large number which he had intended to keep until 1946. So in one year he had to sell cattle which should have been sold over a period of three years. If you keep in mind his returns for the previous three years, it seems to me only just and reasonable that a farmer in this position should be allowed to average his income over a period of five years rather than three.

I venture to say that similar cases and similar circumstances can be duplicated a hundredfold. I can give the minister all the particulars and references in this case if he desires them. I dare say he has received numerous requests and resolutions from farmers and farm organizations asking for the five-year average. I sincerely believe the request is reasonable, and I trust the minister may give the matter further consideration and amend his resolution on that point accordingly.

My third point is the simplification of returns. I admit that the blue form on which a farmer computes his income is not complicated, and that with the records of his grain marketing permit book he can pretty well establish his gross income. The deductions, however, are a different matter. Very few farmers keep books; it just is not in them. It is not that they are incapable of doing so, but

they simply do not have time. Usually the farmer buys practically all his necessary supplies, his main supplies which cost a great deal of money, during his busiest season, when he is seeding, summer fallowing, harvesting, working from sunrise to sunset; when he has to rush to town for the necessary repairs in order to keep his outfit going, and at night he is too tired to make bookkeeping entries of the amounts he expended during the day. Over a period of days and weeks I have spent hours assisting farmers to complete their income tax returns. I have asked them to gather up their vouchers, accounts and so on; then, after spending two or three weeks on it and getting the form finally completed, a little later the farmer finds this cheque or that receipt, the particulars of which he forgot to give me at the time. Some suggestions have been made to me in this connection. The farmer says he wants a simplified form, and there is at least one suggestion that I think has some merit. I should like to submit it to the minister in the hope that it might be applied at least to western grain farmers. Instead of itemizing his expenses, as he is now required to do, allow the farmer a flat reduction of a certain amount per cultivated acre, in which amount would be included all the necessary expenses and deductions which must now be itemized. I think with the assistance of organized agriculture and our agricultural colleges—that is, the departments of farm management of our colleges—the officers of the Department of National Revenue could arrive at some fair and equitable figure. It might have to be varied according to the size of the farm and the district or location, and according to the rise and fall of the cost of supplies the farmer has to buy, but I do not think any of these obstacles is insurmountable. I believe this suggestion is worth a trial on an optional basis at least, just as the "average" feature proposed by the minister is to be optional, if I understood his explanation aright.

The fourth point I have enumerated is the complaint that the assessments are too long delayed. I presume that is a general complaint and does not pertain only to farmers. I maintain, however, that it affects the farmer more than anyone else because of this lack of bookkeeping to which I referred a few moments ago. A person has a feeling of confidence when he has made his return and paid his tax, but this feeling is dissipated when three or four years later an assessment notice is received stating that large sums of money are still owing the Minister of Finance. In one case which has come to my notice, after some further assessments were made requiring the payment of several hundred dollars in addition, considerable correspondence ensued and at one stage the inspector asked this man to submit a statement of assets and liabilities from 1938 to date. Surely that is an impossibility for a farmer who keeps no books, at least as far as the earlier years are concerned. I would plead with the minister that if necessary a larger staff be employed in order that the assessments can be completed more quickly and the taxpayers may know exactly where they stand.

The fifth point concerns a matter that has been drawn to the minister's attention not only in this debate but in debates on numerous other subjects in this house; for instance, in the debate on the address in reply to the speech from the throne. It refers to exemptions for a farmer's wife, at least in cases where part of the income is derived from dairying and poultry, and also where the children of the farmer are helping, without remuneration, in the accumulation of the income that is taxed. I endorse whole-heartedly and fully the very able argument presented a few days ago by the hon. member for Selkirk (Mr. Bryce) in connection with this point. I think it is only fair, especially in view of the fact that agriculture is not yet receiving the share of our national income to which it is entitled.

The last point I enumerated concerned itself with the farmer's debts. In the first place I contend that he should be entitled to deduct in any year capital payments in respect of a mortgage or purchase agreement covering the half section of land on which he makes his home. I think it is pretty well agreed in western Canada that the smallest farm unit on which a farmer can make a decent living for himself and his family is 320 acres. I say that with the proviso that there should be parity prices, which the farmer does not have to-day. In some districts in the west even a half section would not be enough land.

Secondly, in view of the difficulties the farmers experienced prior to 1938, I think they should be entitled to deduct the old debts which they pay off. I believe it should be the policy of any government to assist farmers to get out of debt entirely. I know of no better class of consumers than the farmers, and a debt free agricultural class—and I mean just that, a debt free class—would be reflected in our whole economy by an increased home consumption of our industrial production, which has been emphasized by previous speakers in this debate. Let us do everything in our power to make agriculture debt free, though our present system of taxation is going a long way to prevent such a desirable end being achieved.

No doubt the minister and some hon. members will contend that my suggestions constitute a plea for special privileges for the farmers as a class. I do not admit the truth of this, but even if that argument should have some validity I think the suggestions made would work to the advantage of our whole economy; and I repeat that I know of no better way of distributing purchasing power than through the farmers. Furthermore I maintain that agriculture has been, is now and for some time to come will be the basic industry in our economy, and a prosperous agriculture will ensure prosperity for the whole of Canada. Then we must consider the uncertainties and hazards which agriculture has to face. There is the weather. In later years aviation has concerned itself a great deal about the weather, but the farmer has been battling and matching wits with the weather man ever since the dawn of history. There is hail, wind, frost and drought which are capable of destroying a whole year's hard labour. In the west we fight grasshoppers, gophers, sawflies, cutworms, rust, diseases of animals and diseases of plants. Nature seems to be full of these tricks, for no sooner have we built up a defence against these pests than some new ones come along. Then there is always uncertainty of the market and the future in general.

I think the farmer in his highly hazardous and speculative industry needs these considerations in relation to income tax liability. In addition he should have further protection of parity prices. I contend that these are not special privileges, but simply compensation for the extraordinary hazards of the farmer's highly important industry.

We had considerable discussion about parity prices at the last session, with everyone having a different idea as to what parity prices really meant. I confess the question has become confused. My rough idea on parity prices is that the farmer should receive his fair share of the national income. If the farming population of Canada comprises thirty per cent of the total population, agriculture should receive thirty per cent of the national income, or as near as possible to that percentage. I shall be frank to admit that this formula could only be a basis for computing parity prices for agriculture, but upon that basis I think the amount can be ascertained.

Of course the cost of production and the farmers' cost of living will have to be taken into consideration. In this connection I should like to mention tables contained in the *Economic Annalist*, which is a pamphlet received by all hon. members. It is sent to us by the Minister of Agriculture (Mr. Gardiner), and upon it I wish to commend him highly. It is a splendid pamphlet, worthy of the study of every hon. member. In it is a table showing the rise and fall of agricultural prices as against the rise and fall of the cost of living and the cost of the goods and services the farmer has to buy. This table is confusing because the prices the farmer receives are based upon the index number 100 for the year 1926, while the cost of living and services and supplies the farmer has to buy are based upon the index number 100 for the years 1935 to 1938. But even at that, a close study of this table will convince hon. members that because of the rise in the cost of living and in the goods and services the farmer has to buy, his income is slipping, and he is not as well off to-day as he was a year ago. I have some interesting, indeed astounding figures to present, which prompted my making this plea on behalf of agriculture for consideration of their plight as income tax payers, and of their request for parity prices.

The 1945 "Year Book" goes back only as far as 1942 in its quotation of production figures. On the basis of 1942 figures the farmer received roughly eighteen per cent of the value of our national gross production, while the farming population comprised roughly twenty-seven per cent of the total population. Although there has been some increase in the prices of farm products since that time, I think the comparable percentages have not changed very much. The figures based upon national income are substantially the same, or perhaps lower, so far as the farmer's percentage is concerned, because of late he has received no advance in the price of the products he sells while, as I said, his cost of living and costs of production have undoubtedly risen.

One would assume that the per capita production in Canada by provinces would follow a similar trend, and that the provinces which are mainly concerned with agricultural production would all be on the lowest rung of the ladder. Such however is not the case. In fact the table at page 182 of the latest edition of the "Canada Year Book," the one for 1945, provides some startling information. This table shows per capita production in Canada in 1942, by provinces, and is as follows:

Ontario	$651 18
Saskatchewan	582 56
British Columbia	574 74
Alberta	566 77
Yukon	566 49
Quebec	491 25
Manitoba	407 79
Nova Scotia	297 24
New Brunswick	276 21
Prince Edward Island	237 83

It will be noted that Ontario stands first and Saskatchewan second. According to these figures of per capita national production one would imagine that Saskatchewan, which stands second on the list, would come pretty high in income tax payments, which give us an idea of national income. Rather the reverse is true. According to statistics supplied me by the dominion bureau of statistics, I have computed the per capita income tax paid by provinces, averaged over the last four years. The latest year for which I can get figures is 1944-45. With these figures we arrive at the following results:

Yukon	$202 90
Ontario	168 00
British Columbia	142 00
Quebec	118 00
Manitoba	72 80
Nova Scotia	56 10
Alberta	42 20
New Brunswick	45 10
Prince Edward Island	20 70
Saskatchewan	16 60

It will be noted that the Yukon stands at the top, and that poor Saskatchewan comes in last. While we are second in production, we are right at the bottom of the list when it comes to income tax. In this connection I think of the reference made by the hon. member for Muskoka-Ontario (Mr. Macdonnell) when, as reported at page 3221 of *Hansard*, he said:

> I commend this particularly to the hon. friends to my left, many of whom come from Saskatchewan, because that province probably is the most individualist and the most capitalist province in the whole dominion, composed as it is largely of farmers.

In view of these figures I am sure the hon. member for Muskoka-Ontario and I must differ as to just what a capitalist or a capitalist country is. Saskatchewan's production and income is over seventy per cent agricultural. Perhaps the percentage is even greater, because all of us live on the proceeds of agriculture. From the figures I have just placed on record one would conclude that Saskatchewan farmers pay less income tax than farmers in other provinces. Figures supplied by the bureau of statistics, however, prove the opposite.

A few days ago the hon. member for Selkirk (Mr. Bryce) read a newspaper dispatch which contained information similar to that which I now have before me. These figures are based upon the 1942-43 assessment of income tax, by provinces, paid by farmers. The rest of my figures are on the 1942 basis. The following figures, however, give the assessment of farmers for income tax by provinces:

[Mr. Jaenicke.]

	No. of taxpayers including farming corporations	Total Income Assessment	Total Tax Assessment
New Brunswick ..	11	$ 21,978	$ 459
Prince Ed. Island	12	38,333	1,539
Quebec	72	232,325	5,205
Nova Scotia	17	78,266	5,690
British Columbia .	240	644,999	43,876
Manitoba	392	679,600	34,661
Alberta	497	1,244,534	63,113
Ontario	784	2,152,823	79,834
Saskatchewan	1,544	3,585,810	205,835

Ontario, Quebec, Nova Scotia, New Brunswick and Prince Edward Island farmers paid a total of $92,727 as against Saskatchewan's $205,835. The case I quoted a little while ago of the farmer who had paid $14,000 in income tax illustrates the fact that one farmer in Saskatchewan paid more income tax than all the farmers of Prince Edward Island, Nova Scotia, New Brunswick and Quebec put together.

Mr. BROOKS: Can the hon. member tell us what prices were obtained for the products of the Saskatchewan farmer as compared with the prices in the other provinces he has mentioned? I think that is the only way to get a fair comparison of what income tax should be paid.

Mr. JAENICKE: I am not prepared to answer that question at the moment. Some figures were given a short time ago by the Minister of Trade and Commerce (Mr. MacKinnon) showing that the price of Ontario winter wheat was just about the same as the price of wheat in Saskatchewan, with the exception that the Ontario farmer had less freight to pay. The farmers of Saskatchewan paid $205,835 as against $234,377 paid by the farmers of the other eight provinces. Out of a total of 2,025 farmers who were assessed, more than 75 per cent or 1,544 lived in Saskatchewan.

It seems to me that there is something wrong with our agricultural economics or with our treatment of agriculture, and that a bold approach to tackle the problem will be necessary to assure the farmer a just and equitable share of our national income. The suggestions which I have made are one little step in the right direction, if they are adopted. Outside of a few isolated cases our farmers, especially those in Saskatchewan, need better homes, better sanitation, better comforts, better schools and more of almost everything before they can be said to have the same standard of living as the average urban resident.

It is said that the farmer is a perpetual grouser, but since before the feudal system he has had a right to grouse. According to the hon. member for Renfrew North (Mr. Warren)

the eastern farmer apparently has no complaint. The hon. member said last year in a speech in the house, as reported on page 2560 of *Hansard*:

We eastern farmers have no expectation or hope of ever getting rich.

It is not a question of acquiring riches; it is a question of getting out of debt and having a decent standard of living as compared with the rest of the population. He had some disparaging remark to make about his brother farmers in the west and their "whining." The last *Economic Annalist,* to which I referred a little while ago, contained a table on page 44 which brought back to my mind the speech made last year by the hon. member for Renfrew North It gives the details of the subsidies paid by the Department of Agriculture during the calendar year 1945. When I computed the per capita figures for each province upon the basis of the agricultural population I found that the provinces received the following per capita subsidies during the last year:

Ontario	$45
British Columbia	40
Alberta	27
Quebec	26
Prince Edward Island	19
Nova Scotia	19
Manitoba	16
New Brunswick	15
Saskatchewan	15

In this instance I can tell the hon. member for Royal (Mr. Brooks) that Saskatchewan and New Brunswick seem to be on the same level. I am making no complaint about this apparent disparity and inequality in governmental paternalism, but I do wish some hon. members, including the hon. member for Renfrew North, would take these matters into consideration before they make speeches in and out of this house about the western farmer whining for this and whining for that when all he asks is a fair deal. I repeat: Direct your policies toward creating a debt-free agriculture, and a lot of our economic difficulties, especially those of consumption of our industrial output, will disappear.

Mr. IRENEE HAMEL (St. Maurice-Laflèche): (Translation): Mr. Speaker, I have a few remarks to make in connection with this debate. The Canadian ratepayer is greatly disappointed with the 1946-47 budget. He had expected that, in view of the considerable increase in the cost of living, especially from 1941 to 1946, the income tax exemption would be made applicable to incomes of $1,200 for single persons and $2,000 for married people, effective from April 1st 1946. This has not been done. The government could have relieved the Canadian people much more than they are doing, by curtailing the expenditures of some departments. I am amazed at the way the estimates are apportioned between the various departments.

We have a $2,769 million budget; of which $1,500 millions are for demobilization and reconstruction, while 593 millions are earmarked for the Department of Finance. This amount of 593 millions includes 481 millions for interest on our public debt.

Mr. Speaker, I respectfully submit that reforms are needed in our financial system. The interest paid on the cost of public works, that is if projects carried out by our governments, whether federal, provincial, or municipal or by our school boards, is too high. I am agreeable that capital invested in useful private ventures invoking some risk should bring a reasonable return, but when it comes to the financial requirements of the government, our country's economic system should enable the latter to obtain the funds needed for just about the equivalent of the administrative costs.

Another department where an inquiry is particularly needed is the Department of National Defence. The minister (Mr. Abbott) requires for the administration of his department during 1946-47 a sum of $488,600,000, which sum is, of course, quite apart from the 525 millions requested by the Department of Veterans Affairs.

Expenditures of $488,200,000 for the army and for demobilization in this second peacetime year! To me this seems too much, especially when I scrutinize the various items. Here is the approximate break-down of those expenditures: Salaries, wages, pay and allowances, over 200 millions; transport of personnel and goods, 41 millions; furnishings, food and medical services, 37 million dollars; munitions, weapons, vehicles, 100 million dollars.

Mr. Speaker, I have brought these figures to the attention of the house and the public to show what becomes of our people's money and to prevent that essential social reforms be blamed for the heavy burden placed on the weary shoulders of the disappointed taxpayers.

As for cooperative associations, the sound representations which the various interested parties have made to me show how touchy this problem is, since we are asked to referee a struggle between interests that feel they are both opposite and legitimate. A basic factor must be our guide in these matters, and that is the general interest. The function of the state, Mr. Speaker, is to endeavour through legislation, to ensure the people they are called upon to administer, the greatest possible degree of earthly happiness, and one of the essential elements of such happiness

is the highest possible standard of living compatible with the economic possibilities of our country.

There are, without question, two ways of doing this: first, to raise the people's income; second, to bring down the cost of living. Now that is just what true cooperatives are striving to do. Through the elimination, as far as possible, of certain powerful middlemen who generally go in for speculation, the producer unquestionably gets better prices. For the consumer, on the other hand, and especially the industrial worker, increased buying power means that he is better able to obtain the necessities of life.

Mr. Speaker, cooperatives have prospered, especially among our people, because of the concern over the exodus of farmers to the cities. In 1937 and 1938, prominent sociologists made a survey of the exodus from the farms. They thus investigated 161 localities of the province of Quebec, and their findings are quite interesting even though alarming. Out of 161 localities they visited, the average family income was less than $600 in 126 municipalities. It was on the strength of those findings that our best sociologists urged the intensive development of our cooperatives.

What a sad and grave mistake it would be, Mr. Speaker, through arbitrary and meddlesome legislation, to interfere with the development of co-operatives which have been such a boon to our farmers and industrial workers. Besides, the various individuals who have submitted to us documents complaining of the cooperatives do not represent the mass of the people.

I have here a list of companies who sent briefs against the cooperatives to the royal commission. It includes 200 insurance companies, food trusts and corporations like the ABC Packers and the British Columbia Packers Limited. I humbly submit that only a few big speculators can suffer from the intensive development of cooperation. For that reason, any legislation which interferes with the expansion of cooperatives is objectionable.

My final remarks to the house bear upon the problem raised by dominion-provincial relations. On that score we are radical autonomists and we believe that any attempt by any federal government to reduce the prerogatives of provincial legislatures is a step towards the eventual disintegration of the federal compact. Our country cannot reasonably hope to become a unitary state. Two fundamental reasons will always prevent this, namely, the diversity of its population, and the vast expanse of its territory.

[Mr. Hamel.]

Since 1760 one has found in this country citizens of different racial origins, different philosophical ideals, different religious convictions, that is a state of things which will last for all time. In order that legislation may adapt itself in so far as possible to the needs of these various groups, it must be passed and implemented by provincial authorities.

Moreover, it is extremely presumptuous to claim that this country may be administered from Ottawa since it is more extensive than Europe which numbers some thirty governments and since the United States require 49.

These two reasons, in evidence at the time of confederation, still apply and will hold good for all time. It is our duty, as was so aptly pointed out by the hon. member for Beauce (Mr. Dionne), to let the provinces look after their own obligations and sources of revenue. We have been given to understand that Ottawa seeks to centralize taxation so that it may meet dominion expenditures. This argument does not convince me since, looking over the budget now before the house, I find that out of $2,769 millions, a little over ten per cent, that is less than $300 millions are spent annually on the payment of family allowances, old age pensions and unemployment insurance benefits.

Mr. Speaker, if we wish our people to develop in a friendly and prosperous spirit within the scheme of confederation, we need fulfil only one duty, that is, carry out decentralization. On that condition only will life be tolerable for the various groups settled in this country.

Mr. D. S. HARKNESS (Calgary East): Mr. Speaker, I wish to say something about oil, not the kind that is frequently spread in this chamber, but the kind that comes out of a hole in the ground.

The only direct reference to oil that I find in the budget speech is on page 2919 of *Hansard,* where the Minister of Finance (Mr. Ilsley) said:

> Other minor amendments to corporation income and excess profits taxes will provide for the extension for another year of the tax credits now granted in respect of exploration expenses incurred in the petroleum, natural gas and mining industries, with an adjustment in the amount of the credit appropriate to the reduced rate of corporation tax and an extension of a tax credit for expenditures incurred in deepening an existing oil well.

I am afraid that the second word of that paragraph, "minor", is only too strongly indicative of the attitude which this government has taken towards oil development and exploration and oil taxation generally.

Canada has been described as an oil-hungry nation. We produce only fifteen per cent of our requirements of crude oil, which is less than one per cent of the world's production, and we possess less than one-tenth of one per cent of the world's proven reserves. At the same time we are great users of oil, coming second only, on a per capita basis, to the United States among all the nations of the world. In spite of these facts the present budget does not contain the provisions which have been recommended by the oil men of the country to encourage the exploration and drilling programmes which are required to maintain our present production and discover new oil fields in the dominion.

In order to make the oil situation clear I should like to give a brief review of production in Alberta which is and has been for many years the chief source of oil in Canada.

In 1945 Alberta accounted for approximately ninety-eight per cent of Canadian production, excluding the northwest territories. In Alberta Turner valley has contributed 97·6 per cent of all the oil produced in the province from the start of the industry up to the end of 1945. In passing I may say that I exclude the figures for the northwest territories, where they produced 351,000 barrels last year and about 1,250,000 the year before, because that production was really a defence matter. The oil produced in the Northwest Territories can only be used locally, but of course it is very valuable there, close to where it is found.

Mr. MacNICOL: Does the hon. member mean at Norman Wells?

Mr. HARKNESS: Yes. In Turner valley, gas seepages had been observed for many years before the first oil well was drilled. There are stories of cowboys and cattlemen in the early days who, when their business took them into that part of the country, would poke a stick into the steep side of Sheep creek and light a match to the gas which came out and cook their bacon and beans over the resulting gas fire. It may be a matter of interest that only last year I saw a small fire of this nature burning on a hillside a few miles north of the Turner valley townsite. It was these gas seepages which indicated the presence of oil and led to the discovery of the first Turner valley well, Dingman No. 1, which was drilled not far from the site of one of these gas seepages. This well struck oil in a shallow horizon above the limestone, in 1914, and started the first Calgary oil boom, during which, for a short period, every place of business in Calgary, practically, was an oil office, and fly-by-night stock promoters were collecting money in wastepaper baskets. This wave of get-rich-quick stock selling was rapidly ended by the first world war of 1914-18, and oil development languished for ten years, until the famous Royalite 4 well was brought into production with a tremendous flow of wet gas from the limestone. This started a second oil boom and, what is much more important, a great deal of exploration work and drilling, which resulted in a steadily increasing production. This development work was given tremendous impetus when the Home well, some four miles south of Royalite 4, in 1929 turned out a large producer and thus extended the field away to the south. The next few years were ones of steadily increasing drilling and production, with constantly improved drilling equipment and methods, which enabled deeper holes to be sunk. In 1936 Turner valley royalties well, some four miles south of the Home well, struck crude oil in the limestone, and the final period of development of the Turner valley field, as a crude producer in quantity, started. Three years later, crude oil was found in the far north end of the field, so that now production has been secured in an area over twenty-five miles in length.

During the thirty years during which oil has been produced in Alberta, approximately 81,000,000 barrels have been recovered from Turner valley, and approximately 2,000,000 barrels from the rest of the province. During this period, there have been drilled some 654 miles of well in the Turner valley, and something in the neighbourhood of 484 miles of well in the rest of Alberta. I give those figures in miles, because in that way is more readily realized, I think, the tremendous amount of drilling that went on, than if they were given in millions of feet. This has involved the drilling of over 1,200 wells, of which 460 were producers, 560 were dry holes, or dusters, and the remainder were dry gas producers.

I should like the house to note particularly that only 460 of these 1,200-odd wells were producers. In other words, the oil business is a very risky one.

I think we may now properly ask, how was all this drilling financed? Who was responsible for it? Why was it done? The answer is very simple. Initial production and most of the extension of Turner valley and the discovery of other fields were due to small companies, financed by small men in the financial sense, who were willing to take great risks with their capital in the hope of making large returns. After Turner valley had been proved as one of the great North American oil fields, large companies came into the field, and are now engaged in an extensive geological and geo-

physical survey of the foothills area of Alberta, as well as the plains of that province and of Saskatchewan, and as a matter of fact in other parts of the dominion—the maritimes and Ontario. However, the start and much of the important development of the oil business in Alberta were due to the "wild-catter," as he is generally called. It may also be proper to look briefly at the returns received by individuals and companies responsible for Alberta oil development. The amount of capital risked has been in excess of $150,000,000 and the returns less than $130,000,000, so that the major part of Canadian oil production has been secured at a loss of over $20,000,000 to the enterprisers responsible for it. Furthermore, as nearly as I can determine from examining the figures, all this loss, and more, is due to government taxation in one form or another.

Just at this point I might mention something about the contention of my hon. friends on the immediate left, the C.C.F. party, who in Alberta have been advocating the taking over of these oil wells, and as a matter of fact the whole business of oil development, by a government. I should like to point out that if that had been done the government of Alberta, the dominion government, or whoever had done it would now be many millions of dollars behind, because, in addition to the taxes they have collected which, had they been operating the industry themselves, they would not have secured, they would have had this further loss.

Mr. LOW: It was just for campaign purposes.

Mr. HARKNESS: As the hon. member says, it was just campaign literature.

Furthermore, in connection with the development of oil by a government or a government agency, I should like to mention briefly a little crown company called Wartime Oils, which the dominion government set up to drill wells in Turner valley, at a considerable loss to the dominion in spite of the fact that they were operating in a proven field.

The point I am getting at there, once more, is that the oil business is an exceedingly risky one, and I think we are extremely fortunate that we have men in Canada who will take the risks involved in putting up the capital required to discover what has been discovered. In view of the loss which has been incurred in searching for oil in this country, is it any wonder that the oil men are discouraged and that a full-out drilling programme is not in progress?

[Mr. Harkness.]

To show it is not, may I illustrate from the situation in Turner valley? When this session of parliament began there were thirty-two large rotary drilling rigs in the valley which had been used to drill wells there or other exploratory wells in the foothills. All these rigs were capable of sinking wells to the depth of 10,000 feet or more required in that area. Of these thirty-two drilling rigs only four are in operation and drilling; the remainder are sitting idle. Each of these rigs represents an investment of $150,000 to $200,000, or the twenty-eight sitting idle means between four and five million dollars of idle capital, all of which should have been at work twenty-four hours a day drilling wells and attempting to increase Canadian production. In addition, of course, there is a considerable amount of employment which we might have had and is being lost. Every-one of these rigs would be working if the tax structure were such as to encourage the oil men to drill; but as matters stand at present, only the large companies, whose revenues come largely from refining, and selling and distributing the products, and who own a number of wells now in production, can afford to operate. This is so because present tax credits and depletion allowances cannot be used by the smaller producing companies, or by prospective new ones, to anything like the extent or advantage that they are used by the large companies.

To illustrate what I mean, assuming that the present budget resolutions pass, let us take a company which secures an income of $1 million from producing wells in 1947. It has a depletion allowance of 33⅓ per cent, which leaves a taxable income of roughly $667,000. The thirty per cent corporation tax on this bill will give a tax bill of roughly $190,000. This company during the year drill one deep test well in the foothills area at a cost of $400,000, which is the normal cost, and if this proves to be a dry hole they get no returns. They are allowed fifty per cent of the cost of this well under the deep test drawback regulations, which of course would be $200,000—$10,000 more than their tax bill—and as a result, the company would pay no taxes. Further, of course, it means that the cost of this dry hole to the company was only $210,000.

Let us take a new company which is formed and which drills a similar well costing $400,000, which proves to be a dry hole. The cost is $400,000. They have no way of getting out of it. Similarly, a small company with an income of $100,000 a year from producing wells would have done the same drilling at a cost of $381,000. From that

example we see clearly that the present tax provisions work out to the advantage of the big company but do not help the little fellow.

The plain truth of the matter, put as simply as I can state it, is that no encouragement is given to new capital to go into oil drilling enterprise, and the tax provisions are such that small companies with a limited income from production, or none, and with a fair amount of cash, are not in a favourable situation. There are many companies of that kind, which have no producing wells or only a very small income from producing wells, but from their production in the past they have a fair amount of cash. They are not justified, however, in risking that capital in an attempt to get new production at the present time. As a result they sit there and the drilling equipment is idle. They are doing nothing. Of course the ultimate position is that only a fraction of the drilling that could be carried out is going on in Alberta.

I should like now to make some suggestions to the minister as to how the oil business could be stimulated by government action. These suggestions are essentially those of the Alberta Petroleum Association, which includes in its membership practically all the independent oil producers of Alberta as well as the large companies. When we refer to the independents in Alberta we mean the small companies apart from Imperial, Standard, Shell and so on.

The first of these suggestions is the matter of deep test legislation. A tax deduction of fifty per cent is allowed for expenditures made in drilling deep test oil wells. This deduction is allowed only for wells in the foothills area which involve drilling to a depth ranging from 6,500 to 12,000 feet or more. These are the depths necessary. The oil men would like to see this interpretation of the tax provision changed to include the deepening of abandoned exploratory wells. The question I should like to ask the minister is whether the statement he made does or does not mean that. I am not clear on the point and I should like to have him answer that.

In any event, a considerable number of these abandoned wells did not reach the oil producing limestone, for one reason or another, and their inclusion in the tax deduction provisions would result in some of them being completed, any one of which might, if successful, give us another Turner valley. The oil men are anxious that the fifty per cent tax deduction be extended to wells drilled in the plains area, most of which do not go deeper than 3,500 feet and, for the most part, less.

The adoption of this suggestion by the government would do much to encourage drilling in the Alberta and Saskatchewan plains area. Why such wells do not enjoy this tax benefit I cannot understand, because an oil well at 2,000 feet is as valuable as one at 9,000 feet. I suggest that the government should do everything possible to get a large drilling programme under way on the plains where production has already been undertaken.

In 1945, in the plains fields of Alberta there were produced 630,000 barrels of oil, which went a considerable way toward offsetting the decline of nearly 900,000 barrels in Turner valley in 1945 as compared with 1944. At this point I would point out that Turner valley has passed the peak of production. That occured in 1942, and since that year it has been steadily and rather rapidly declining as an oil producer. It is for this reason particularly that it is so essential to open up new fields.

At the same time I wish to make it clear that the valley will produce a large volume of oil for many years to come under a favourable tax structure, and many more wells could be drilled there which would prolong the life of the field. As a producer, Turner valley compares favourably with the major United States fields, and as a result of its performance Canada since 1939 has taken second place in the British empire as an oil producer, and has also taken its place among the oil producing countries of the world.

Let me get back to my suggestions. The first is that the extension of the fifty per cent tax deduction to wells drilled on the plains and to completing abandoned wells will at once materially increase the number of wells drilled.

Secondly, there should be a greater depletion allowance. At the present time operators are allowed a depletion allowance of 33⅓ per cent. In the United States they are allowed up to fifty per cent and in no case less than a depletion allowance determined by the rate of production to available reserves in relation to the time of investment. This means that a company having no net income in any particular year is entitled to a depletion allowance and may carry it forward or backward to apply against future or past profits.

Some of our mines were at one time allowed a depletion allowance of fifty per cent and I understand that they are pressing strongly to have that restored. I would press strongly that the provision be put in for oil drilling whether it applies to mines or not. Mining is surely not as hazardous or as risky as drilling for oil. A mine is usually developed only after a large body of ore has been found, but the only way that oil is found is by the drill and there is always the possibility of a dry hole.

As an example of what the oil men face, even in a proven field, I would read a short paragraph from an issue of the Calgary *Herald* which I received yesterday or the day before:

> Foothills No. 24, recorded a pleasant surprise for oil men when it came in on what was considered the eastern limit of the north valley field as one of the valley's best, and at latest reports was doing nearly 800 barrels daily under unrestricted flow.
>
> Foothills No. 25 will be drilled immediately a quarter of a mile northeast. Drilling these wells is like walking a plank blindfolded. You never know when you will step over the edge. With the east extension wells you never know when you will have overstepped the fault block. You are dealing with the dark underground mystery of the Turner valley limestone. You are gambling a quarter of a million dollars that it extends one step more. You will have to go over the edge before you can afford to stop drilling.

There have been drilled in Turner valley, since it was proven as a major field, plenty of wells that did not come into production, or that did not realize production which amounted to anything. Then, even when the well is a producer, no one knows how long it will continue, or at what volume. Under the circumstances, I should think the oil drillers ought to be given greater depletion allowances than they have been allowed in the past, and in any event they should get as good a deal as United States operators get in their maximum of fifty per cent.

The third point is that all drilling costs, permit and leasing expense, geological and geophysical costs, etc., be allowed as deductions for tax purposes and, further, that these expenses may be claimed as and when desired, so that large expenditures over two or three years may be deductible when production is secured, and spread over that production.

The fourth point is that present income tax regulations covering exploration and development, which when the present budget is passed will expire on December 31, 1947, should be made part of the permanent tax structure so that operators may be able to make future financial plans under definitely known tax conditions. In the past the existing write-off regulations, depletion allowances, etc., have been subject to renewal, or not, from year to year. This has made for uncertainty as to what the position might be in future, and has discouraged the small operator particularly.

The fifth point concerns the removal of the subsidies now being paid on crude oil imported into the prairie provinces. The Alberta Petroleum Association contends that to a large extent these subsidies were passed on to the railway companies, and that they have resulted in an artificial depreciation of crude oil prices. They believe that the subsidies should be removed and that Canadian crude oil should be allowed to reach its true economic level. Further, they contend that this will not result in any price increase to the consumer if at the same time the government removes the war-time tax of three cents a gallon on gasoline. In fact, some of the Calgary oil men insist that the price, in Alberta at least, can and would come down if free competitive prices were allowed. To support this, they point to the decrease in the price of gasoline in that province as Turner valley developed and small companies got into the refining business. The great example is the price of gasoline in the Coutts area in the southern part of the province. That price came down materially during the period of Turner valley's growth and development and as small refiners got into operation. About the time the war began the price of gasoline was around twenty cents a gallon. At the present time, owing to various restrictions that have been put on the oil business and the levelling of prices, gasoline now costs thirty-eight or thirty-nine cents a gallon in this area. Of course to a large extent that was due to the fact that one of the large oil companies bought a small refinery which had been established at Coutts and closed it up, and now gasoline has to be shipped into that area. The oil men further maintain—and I think they are right—that under conditions of free competition many small refineries would start up, and as a result the price of gasoline would be brought down.

In that connection they put up the argument, which I think is sound, asking why the government should control the price of gasoline in order to keep it approximately the same throughout the prairie provinces, Alberta, Saskatchewan and Manitoba. They maintain that Alberta should be able to take advantage of its geographical position and the fact that oil is produced there. They say, if that is to continue to be done and Alberta farmers are to be penalized to whatever extent they are penalized, then the government should also take over entire control of the price of wheat, and see that sufficient subsidy is paid so that the same price can be offered for wheat at

Didsbury or Olds or Lethbridge that is paid in the Red River valley. There is a considerable differential at present, owing to freight costs, and if that is to be allowed to continue, then gasoline should be treated in the same way.

The government seems determined to keep all information about the subsidies paid very secret, and as a result I am not in a position to say definitely or even to form a good, sound opinion, in regard to the effect on prices of the removal of the subsidy. I have been mentioning the contentions of the oil men; and I think they are right when they say it has been impossible to get from this government information on which a sound judgment could be formed. I placed on the order paper a question which was passed as an order for return on April 17. The information I was given amounted to exactly nothing. I need not bother reading all the questions I asked; they were in connection with the source of supply of oil imported into the prairie provinces, the amounts from each source, the delivery point, the subsidy paid, the cost per barrel and so on. The reply came back from the Department of Mines and Resources: "No information"; from the Department of Reconstruction and Supply: "No information"; from the Department of Trade and Commerce: "No information." From the Department of Transport comes this information:

> The board of transport commissioners advise no information can be given with respect to part 7 of this question because the shipping and destination points are not given.

Of course that is the information that was asked for. Finally, we come to the wartime prices and trade board, and here is what they say:

> Subsidy is payable by Commodity Prices Stabilization Corporation Limited where necessary on imports of crude oil from the United States to the prairie provinces in an amount sufficient to reduce the laid down cost to refiners to a level equivalent to the laid down cost of crude oil of comparable grade produced in the Turney Valley oilfields.

What actually happened was that the Turner Valley oil field price was set at a very low level. Subsequently it has been raised forty-five cents a barrel, and the price was just kept at that level. The present price is, I think, $2.08 or $2.11 a barrel, which is an increase of forty-five cents over the price some eight or ten months ago. Then they go on:

> In accordance with government policy as stated from time to time in the House of Commons by the Minister of Finance, it is not considered to be in the public interest to give information as to subsidies paid by Commodity Prices Stabilization Corporation Limited to individual concerns.

The rest of it contains no information at all.

Mr. ILSLEY: Is the total subsidy given?

Mr. HARKNESS: Absolutely nothing is given. I have read everything in this return and, as I say, it amounts to nothing. I might just as well not have it; it did not give me anything. Why the government should be so cagey about this matter; why they should keep it such a secret; why they will not give us the information in regard to really simple questions like this concerning matters about which I think the general public should know, and about which members of parliament especially should know, I do not understand.

Mr. ILSLEY: I have stated the total in the house.

Mr. HARKNESS: Well, here is the return and it gives absolutely no information at all, except the information that they will not give information.

Unless we can, and particularly in this house, get information along the lines I have indicated, how can we reasonably make up our minds in this matter? How can we form sound judgments? So far as I can see, the matter is on a par with the sort of thing we find concerning many other questions which have been asked, and about which members have been complaining. I am convinced that much of this information is denied in various governmental departments because of regulations and red tape which have been laid down, and which no one seems to have sufficient initiative to get rid of or to break. I should think that in many instances ministers do not want to deny the information sought. But three or four years ago, during the progress of the war, rules were laid down, and they have remained in force. A clerk who is asked for information will say, "Well, there is rule 464; no, we cannot say anything about that. No information is available." The time is long past due when departments should be cleaned out in this regard, and new regulations put into effect so that members of the House of Commons can get the information to which they are entitled.

In any event, so far as the oil subsidy situation is concerned, I am sure of one thing, and that is that the removal of the subsidy and the removal of the fixed price on Alberta crude would cause it to rise in price, and thus stimulate development in the oil business.

In closing, I earnestly request the minister carefully to review the whole oil situation, and to make those changes in the tax structure which will enable this industry to start

on a full-out exploration and drilling programme. From the narrow viewpoint of increasing the dominion's tax revenues, alone, this would be good business, because the increased production which would result would materially increase the amount which the dominion government could and would collect in taxes. From the broad viewpoint of increasing our wealth, removing us from the position of almost complete dependence upon foreign countries for our oil supplies, and reducing our unfavourable trade balance with the United States, the benefits would be tremendous.

Mr. ANTHONY HLYNKA (Vegreville): Mr. Speaker, on this occasion I propose to discuss the income tax as it affects farmers, and also to discuss briefly Canada's marketing policy and bread rationing in the United Kingdom.

In the presentation of the brief made to the federal government last March by the Canadian federation of agriculture it is stated at the outset that the federation recognizes that with the end of hostilities the problem of food supplies must move into first place on the world scene. They state:

> In fact, never before has the burden of responsibility rested so heavily upon victorious peoples of solving the problem of feeding humanity. Even if human considerations were not uppermost in our minds, there is the stern fact that millions of hungry, undernourished and starving people constitute an almost insurmountable barrier to progress.

Then it goes on to say:

> Canadian farmers would gladly respond to this urgent call for maximum food production, but without a more adequate labour supply and an immediate improvement in economic returns, they will find it quite impossible to produce to capacity.

That is the statement which appeared in the brief presented to the government last March by the Canadian federation of agriculture.

In addition to that, we have the statement made in the house on June 17 by the Prime Minister (Mr. Mackenzie King) upon his return from the United Kingdom. The Prime Minister repeats practically the same story which is told in the presentation of the Canadian federation of agriculture. At page 2530 of *Hansard* he is reported in these words:

> May I add that it does seem to me conditions in central Europe are deteriorating rapidly and greatly . . . Unless some means can be found whereby the new world and countries that have supplies of food and clothing, can furnish those supplies to the people of some of the occupied zones and other parts of Europe, there may be conditions of famine, of strife and of turmoil which will amount to something in the nature of the spread of a new revolution throughout Europe.

And farther on, he says:

> The last word I should like to say at the moment is that, as far as one can judge what will go farther than anything else in helping to meet present world conditions is increased production and more effective distribution.

He concludes his remarks with this statement:

> Anything that can be done in the world to-day to furnish the necessities of life to those parts of Europe which are in dire need will not only mean salvation for them, but may well be in the nature of salvation for the world as a whole.

After the Minister of Finance (Mr. Ilsley) had brought in his budget on June 27, and after I had an opportunity not only of listening to it but of reading it, I must say I was disappointed to find that it did not reveal any trace of a recognition of the problem of famine faced by the world to-day.

In the presentation of the Canadian federation of agriculture were eight specific requests respecting taxation. Before setting forth these requests, I should like to read one sentence from the brief, wherein it states:

> A number of features of the present act have proved unduly burdensome and in some cases quite unjust to our farmers.

In other words, the federation, an organization which more or less coordinates all farm organizations in Canada, and which represents about thirty per cent of our total population, tells the government that the tax structure of Canada is such that it proves unduly burdensome. Therefore the federation makes eight requests. I shall read them, leaving out the less important parts, so as to have on record what agriculture asked for, and what it received in the present budget. The requests of the Canadian federation of agriculture were as follows:

1. That the income of the farmer, for income tax purposes be assessed on the basis of an average over a period of at least four years. A moving average plan might be adopted which would assist the taxpayer in meeting payments in years of loss or low returns.
2. That breeding herds be recognized as a capital asset, and that a basic herd plan be adopted to distinguish between capital and income in live stock dispersal sales.
3. That the exemption for single persons be raised to $1,000, and that for married persons to $2,000.
4. That more adequate allowance be made for the labour of farmers' wives, sons and daughters in connection with production on the farm.
5. That farmers be no longer required to accept responsibility for collecting income tax from their hired help.
6. That the government provide a board of arbitration whereby taxpayers may have a simple and inexpensive means of appealing decisions of income tax officials.

7. That payment of arrears of interest and principal on the home farm, due before 1940, be allowed as deductions for income tax purposes.
8. That provision be made for final clearance to be given all taxpayers two years after the final returns have been made for any one year.

One would think that the Minister of Finance would have recognized the contribution made by Canadian farmers during the war; would have recognized and realized that Canadian farmers, particularly those in the west, faced ten years of depression just before the war; would have recognized and realized further that farm machinery just about broke down during the war years, that homes must be repaired and built, that fences must be repaired and built, that house furnishings must be provided, that everything needed in a home on a farm must be paid for at the present time. Yet the minister granted only partly one of the requests which the Canadian federation of agriculture placed before him, that is, the spreading of income tax over a period of three years, not the four-year period as was suggested by the federation. We need food at the present time when half the world is starving and when the British government has been forced to ration bread, but we are not encouraging the production of food by bringing in a budget of this sort and entirely ignoring the farmer. That sort of action discourages food production.

I understand that the Canadian federation of agriculture has been in existence for approximately ten years. I submit that it would be advisable for the government seriously to consider making an annual grant to national farm organizations like the Canadian federation of agriculture. I am quite certain that hon. members will agree with me when I say that Canadian farm organizations have played an important role in the economic life of this country, both during the war and during the peace. Representatives of agricultural organizations have been asked to sit in consultation with the various boards and branches of government, such as selective service. These organizations have been asked to make recommendations and appear as witnesses from time to time in connection with matters of great concern to Canada. These organizations do a considerable amount of valuable research and they print and distribute much valuable information. Hon. members often quote from material and statistics compiled by these organizations and their figures are usually regarded as being authoritative. Various briefs and press announcements dealing with the problems of agriculture are prepared by these organizations. In this way the farm organizations not only are rendering a great service to the farming population of this country, but are rendering a great service to the population of Canada as a whole.

An organization such as the Canadian federation of agriculture has done a great service to Canada by having remained non-political. That in itself constitutes a guarantee that this farm organization will serve a useful purpose in prodding the government in connection with matters affecting our economy regardless of which party is in power. In view of that fact I earnestly plead and recommend to the government that an annual grant be made to this most important farm organization to enable it to carry on research and publish material for the use of our Canadian people. It would be a worth-while investment and would enable our agriculturists to be well informed on matters on which they should be well informed. I make this suggestion and request in all earnestness.

Before I deal with marketing, I should like to say a word or two, more in connection with taxation as it affects our farmers. I have received a great many resolutions from organizations in my own constituency of Vegreville. I believe that farm organizations should be encouraged to send resolutions to their members and to the government in order that they may become more keenly interested in the various problems of agriculture. They should be urged to continue and intensify the representations they make to the government and to their representatives in the House of Commons. I should like to place on the record a list of the farm groups in my constituency which have sent resolutions to me requesting an adjustment in the income tax as it affects farmers. I believe that these resolutions were patterned on the one prepared by the Canadian federation of agriculture and presented to the federal government on March 28, 1946. This is the list:

Pine Knoll Farm Forum

The following Alberta farmers' union locals: Mundare, local 711; Victoria, local 386; Smoky Lake; Brody, local 92; Pakan; Toporetz, local 350; Smoky Lake, local 425; Lampburg, local 101; Chipman, local 75; Andrew, local 8; Mundare, local 145; Woodgrove, local 151; Hillock, local 340; Willingdon, local 1; Lamont, local 192; Sandy Lake, local 27; Errol, local 195.

Mr. Fred Stelter, of Lamont, also sent in a resolution on behalf of a large number of farmers in his district.

These resolutions should not have been ignored by the gentlemen who were drafting the budget. Most of these eight requests that were placed before the government could have

been granted if the government was really and truly anxious to expand production in this country.

I now come to marketing. Over the past two years both the Minister of Agriculture (Mr. Gardiner) and the Minister of Trade and Commerce (Mr. MacKinnon) have been vigoriusly defending the government's policy of selling Canadian wheat in the neighbourhood of sixty-three cents lower than the United States farmers received who sold their wheat to the same customers. The Minister of Agriculture pacified our Canadian farmers by promising them, if they continued selling at that lower price, a steady market for their wheat in the future.

What are the facts? A Canadian Press dispatch, which appeared in the Winnipeg *Tribune* of July 3, 1946, gives the following as the reason for the failure of the British food mission to reach an agreement with the Canadian government:

> High government officials told the Canadian Press the suspension (of the negotiations) had resulted from reluctance of the Canadian government to commit itself to large-scale wheat shipments which might in the event of a poor crop year in the future prevent her from fulfilling contracts with other customers for Canadian grain.

That dispatch gives what is generally regarded as the reason for the failure to reach an agreement with the British government. But on looking over another newspaper report which appeared in the Toronto *Evening Telegram* of June 25 last, I find this statement:

> Mr. Strachey agreed that it would only be proper for the British government to recognize what this country has done during the war in supplying wheat and to make a new contract, but he emphatically stated that it would not be of an exclusive character with the United Kingdom filling its entire requirements from this country.

That statement presents an entirely different picture from the one which the Canadian government gives in the first dispatch I quoted.

Mr. GARDINER: That statement did not come from the Canadian government.

Mr. HLYNKA: The dispatch says that high government officials told this to the Canadian Press.

Mr. GARDINER: That is the usual press way of saying they saw somebody.

Mr. HLYNKA: I take it that the second dispatch by J. H. Fisher appearing in the Toronto *Evening Telegram* gives the real reason. Yet the Minister of Agriculture and the Minister of Trade and Commerce for years have been asking our Canadian farmers to sell their wheat below the price which United States farmers were getting on the same market in order that we might be able to hold that market for Canadian wheat. Now, according to the statement of Mr. Strachey, that theory has fallen down; it does not hold good any longer. So why should our Canadian farmer continue to sell his wheat below the price which the United States farmer gets if the former is not guaranteed a future market for his wheat? I feel that Canada can afford to sell her wheat to Britain at the price at which she is selling it to-day or even lower, but not at the expense of the Canadian farmer alone. The whole nation should help to bear the burden by means of a subsidy or whatever you wish to call it, and not footed by the Canadian farmer alone. The policy of this government may have been responsible for failure to reach an agreement.

Mr. GARDINER: May I ask the hon. gentleman a question? Is he making these statements on the assumption that there is not going to be any contract made with Britain?

Mr. HLYNKA: No.

Mr. GARDINER: Then why is he assuming that there is failure?

Mr. HLYNKA: I was just coming to the point which the Minister has in mind. In the Ottawa *Journal* of July 16, 1946, just the day before yesterday, there appeared this item:

> Indications last night were that the Anglo-Canadian wheat agreement would be signed before the end of the crop year, July 31.
>
> It will be for four years, it was learned, with a fixed price of $1.55 a bushel, basis No. 1 northern, at the head of the lakes for the first two years and no ceiling price for the second two years, but possibly a floor price.

It appears from that report that an agreement will be reached, but that is not the point I was making. My point was that the theory that has been advanced in this house for years by the government, that if the Canadian farmer sells his wheat at a lower price than the United States farmer he will be guaranteed a market for the future, no longer holds; it has fallen down. For that reason I personally believe that the Canadian farmer should demand a price for his wheat comparable with the price which the United States farmer receives, and if the Canadian government wants to sell our wheat below that price, it is up to the whole country to subsidize that price.

Mr. GARDINER: May I ask one more question? Assuming that the agreement when it is made and signed provides for the selling of all the Canadian wheat which any authority who is competent to judge thinks ought to be sold under such a contract in each year for the period of the agreement, would the hon. member still make the criticism he is now making?

Mr. HLYNKA: It depends upon the price.

Mr. GARDINER: Even if the price were $1.55 for the first two years and no ceiling on the price for the last two years?

Mr. HLYNKA: That does not get the minister out of the hole into which he has got himself by promising the Canadian farmer a guaranteed market for his wheat.

Mr. GARDINER: I have not got myself into a hole. I am simply trying to help my good friend—although we do not always agree politically—out of the hole in which he has got himself.

Mr. HLYNKA: I know the Minister of Agriculture is a good friend of mine, but I have many good farmer friends too, and I want to plead their case because I know they are being taken for a ride.

However to leave that for a moment, may I now refer to a press report about bread rationing in Britain. The title is:

Ration bread in Britain on July 21.

If the British government were so certain that an agreement could be reached, and that the British people would be sure to get all the wheat they want from Canada—of course, we may not be able to fill all their requirements—I am not so sure that the British government would have proceeded to ration bread. By the way, I find in the *Evening Citizen* of to-day an editorial in part as follows:

Housewives Ask the King

When 300,000 United Kingdom housewives petitioned the king last week asking him to abolish the rationing of bread, they exercised a right recognized as long ago as the Magna Charta and constitutionally confirmed by the Bill of Rights of 1689.

It just goes to show that even the housewives of Britain had to petition the king not to ration bread.

I want to quote a passage or two from a press dispatch:

London, June 27.—(CP)—The government announced to-day that bread rationing in Britain will begin July 21.

John Strachey, food minister, told the House of Commons that flour also will be rationed as from that date.

Further down in the article it is stated:

The ration of bread will be nine ounces a day for adults generally, 15 ounces for male manual workers, 11 ounces for expectant mothers and women manual workers, 12 ounces for adolescents from 11 to 18 years, eight ounces for children from 5 to 11 years, four ounces for children from 1 to 5 years, and two ounces for children under one year.

The basic ration is one onuce a day less than had generally been forecast.

Mr. Strachey said the cabinet decided on rationing—first bread rationing in Britain's history . . .

The last statement is this, in reply to Mr. Churchill:

Mr. Strachey: I assure this house and, I hope, the world that the fact that we have faced the necessity of introducing bread rationing is the best proof that we are concealing no stocks of bread or flour or wheat in this country . . .

That places the picture before this house as clearly as I can place it. I maintain, Mr. Speaker, that it is in the interest of Canada to reach an agreement with the United Kingdom on wheat, regardless of the price which Britain can pay; of course she will not take it for nothing. If the United Kingdom buys our wheat the Canadian government should subsidize or make up the difference between the price which the British government will pay and the price which the Canadian farmer should get. Unless we do that, our Canadian farmers will be compelled to continue receiving less than the United States farmer does from the same customer. We all know that the Canadian farmer deserves to get every cent it is possible to get out of the sale of his wheat.

I notice that farmers were urged by the Canadian wheat board to deliver wheat as early as possible. Also the Minister of Trade and commerce (Mr. MacKinnon) rose in this chamber and lauded the attitude of the farmers; according to press clippings, "MacKinnon lauds prairie farmers." The prairie farmers can do pretty well without lauding, but they want a little cash, and I believe we should get on to a basis which would place the farmer in an economic position where he no longer would be forced out of his home by mortgage companies and so forth.

In addition to that, I want to mention the raising of prices on farm machinery. That is in addition to the refusal of this government to grant the farmer these income tax exemptions. I wish also to refer to freight rates. What about the freight rates which western farmers have had to bear for so many years? I believe the time has come when this government should take a bold stand and show that they are really concerned with the future of our agriculture. Then what about the price of gasoline?

All these things add up to the fact that the farmer is in such a position that sooner or later he will not be able to stand on his own feet, and will have to get into debt again.

I therefore appeal to the Minister of Finance and the Minister of Agriculture to consider once again during this budget the position of the farmer and see if some amendments cannot be brought in to place our agriculture on a really sound basis.

Mr. W. R. AYLESWORTH (Frontenac-Addington): Mr. Speaker, in rising to take part in this debate I feel that I must speak on behalf of the forgotten man—the farmer. He has been carrying far more than his rightful share of the burden during the war years and is still being asked to carry on and produce more and more, and he is given very little consideration when it comes to price control.

The Minister of Finance (Mr. Ilsley) has said that the thing which would prevent a depression would be greater production. I would say that this government has done nearly everything that could be done to discourage production.

For instance, the ceiling price which was put on meat has been wrong from the very start. I asked this government three years ago to raise the ceiling on beef two cents a pound to the farmer and to leave it as it was to the consumer. If that had been done we would not have had the black market experiences we have had. There was too great a spread in price from what the farmer received for his meat and what the consumer paid. When the ceiling price was set I warned the government that this spread of seven cents a pound was at least two cents a pound too much and that when meat got scarce it would cause a black market because, the retailer having a spread of seven cents, it would bring him a return, on a 500-pound carcass of beef, of $35 profit, which was too high when compared with the price the farmer had to take. For example, a 1000-pound steer would bring the farmer around $100. He had to take care of that animal for at least two and a half years—buy feed and provide other incidentals. Compare this with the retailer, who would cut and sell this carcass over the counter in possibly two hours for $35 profit. If the ceiling had been raised two cents per pound it would have given the retailer a profit of $25 instead of $35, and the retailer would not have had the $10 to pay the wholesaler over and above the ceiling in order to get meat to sell in his store. Also, if this had been done the farmer would have received $10 each more for his cattle and the consumer would have had his meat for the same price as he has been paying. Instead of this, we have had for the past year the greatest black market this country has ever seen. It has become a joke.

This government has set up many boards of control, and the result is that the farmer has to have a permit for nearly everything he wants to do in connection with the operation of his farm. First, he is forced to obtain a permit to kill, even if he wishes to kill his own stock; then, he is, if lucky, given a quota of the number of carcasses a month he is allowed to handle, which in the case of hogs runs from two to ten a month, and yet some permit holders have bragged that they have killed over two hundred a month. What is the board of control for? Thus the man who tries to live up to the regulations finds himself handicapped as compared with the man who carries on with little or no regard for government regulations, orders or control boards. This situation has caused more dissatisfaction and unrest among farmers than anything else. We are told by the boards that these restrictions have been put on so that we shall use less meat here and be able to send more meat to England. I am going to say that more meat is being used for our domestic market to-day than ever before; much of the meat is being sold at from three to twelve cents a pound above the ceiling, and yet the farmer is asked to sell at the ceiling price.

There is then the question of milk. A few weeks ago the farmers of Ontario asked the government for a raise in the price of milk. What did they get? Here we have something that has far more food value than any other commodity for the price. Compare milk with soft drinks, which have practically no food value. A quart, or forty ounces of milk sells to the public for twelve cents; forty ounces of soft drink sells to the public for twenty-eight cents. I am sure that the government is holding the price of milk far too low, or is allowing the other to sell far too high. I would ask the government to allow the price of milk to be fixed so as to ensure the farmer a fair profit on his investment and a fair return for his labour. In this regard as with respect to the ceiling on meat, it has worked to the disadvantage of the farmer.

Another class of people who need some consideration are the vegetable growers. They work long and hard to supply the consumer, but in many instances before they have had an opportunity of disposing of their vegetables, imported vegetables will appear on the market

and their surplus remains unsold. I would ask the government to give this matter serious consideration and restrict the importation for longer periods each year.

I feel also that the policy of collecting income tax has worked to the disadvantage of the farmer. He makes out his returns and takes or sends them to an income tax office. He is called in and told that his feed bill is wrong, that if he fed that amount he is wasting it—this from some man who would not know a hog if he saw one, or scarcely knows that his morning bacon is part of a hog, let alone how to feed them. Not many farmers will buy feed to throw it away. In some other cases he has been charged with $125 for each member of his family for food used from the farm. I understand that this has been stopped. I know of some farmers who have been large producers who have gone home from the income tax office where they were called in connection with their return, and have sold most or all of their stock. Why? Simply because they have not enough left to make it worth while. This has adversely affected hog production and it will be felt in the dairy industry also. This is certainly not a time to do anything to cause a decrease in production; it is a time when everyone should be encouraged to produce more than ever before to help save the thousands in Europe from starvation and at the same time help to stave off a depression here in Canada. Production could be increased, for instance, by increasing the price of milk to the farmer. Milk should bring more than it did in the month of May, which was $1.60 per cwt. for 3·3 milk and is below the cost of production. I know some will say that this price is higher than in the past. That is true, but it costs more to produce milk now than it did before the war. Wages are to-day almost double what they were in pre-war days; feed is higher in price; farm machinery has been increased in price; steel has increased in price. In fact, almost everything the farmer has to buy for use on his farm is higher in price. Therefore it is unfair to ask the farmer to produce to-day at present prices. It cannot and, may I say, will not be done.

Labour and the farmer will rally to the request of the government for greater production, if given a fair chance. The farmer did it in the war years and he will do it to-day, if given fair treatment.

If this country wants more butter, the government should raise the price; more cheese, raise the price; more pork and beef, take off the ceiling price and let the market find its level. Take off the ceilings on all farm produce and do away with control boards. I know that all members of this house will agree that the production of food is the most serious problem facing this country and the world to-day. During the war years the Canadian farmer produced more food than had ever been produced in the history of the country, despite the short-sighted policy of the government, which had him fighting against labour shortages, price controls that were not in line with cost of production and many other controls. All Canada praised his efforts, but he cannot live on praise alone. There must be some action, some planning and some assistance to make the production of food a prosperous undertaking.

I contend that the prosperity of Canada depends upon the prosperity of the farmer. Why? Because the farmer is the greatest market in Canada for all the goods industry can produce. There are more than 700,000 farm homes in Canada, each one in need of the essentials of life and, in addition, in need of so many of the modern conveniences that have become a part of rural life, as well as of life in the cities and towns. We must convince the people of Canada who do not live on farms of this vital fact.

I believe that this budget should have raised the income exemption for married and single people. As presented by the Minister of Finance, it is a disappointment to nearly everyone. It is a fact that we have been carrying on in a piecemeal fashion for the first six months of this year, and no change for the next six months, a promise of some change for 1947—what a budget! The exemptions for married people should have been raised to at least $2,000 and for single persons to $1,000. If this had been done it would have helped the farmer and all others in the lower income brackets. I believe, too, that some allowance should be made for the farmer's wife who helps on the farm, because on many farms the wife takes the place of a hired man and the farmer is therefore entitled to an allowance on his income tax return.

The farmer is also entitled to a fair return on his investment, and once the people of Canada who live in towns and cities are alive to this fact they cannot but fall in line with the policy of putting agriculture in a healthy condition in order to improve their own living. Once a real standard of living is reached for the Canadian farmer, the standard of living as a whole will be on a much higher level. Then the worker will be busy making goods for the farmer; the farmer will be busy producing foodstuffs for the worker, and with people in full employment and earning good wages prosperity will accrue to all.

Suppose someone had said in 1939 that in the next few years Canada would produce

annually, not $4 billion of wealth, but $8 billion, and that the government could spend not $550 million but $4 billion, or more than seven times as much, what would we have said? Yet this has been done. The $8 billion have been produced out of the same national resources of lands, forests, mines and fisheries, as were the $4 billion in 1939. Now that this seeming miracle has been accomplished, the answer is so simple. It is that everyone has been employed. It is true that we worked longer hours than in pre-war days, but the explanation lies not so much in the longer hours as in full employment.

One thing seems certain, that for two or three or perhaps more years following the war there will be an assured demand for all the peace-time goods that can be produced. The problem during these years will be to divert production into the type of goods most urgently needed, and that should be the policy of this government. But what have we? It is over a year since the end of the war, and because of the lack of a clear-cut policy on the part of the government we have labour disputes, strikes, work tie-ups, general unrest and dissatisfaction which, in the case of the farmer, is causing decreased production. To combat these strikes and work tie-ups, the government has set up a number of boards and controls, adding to the already over-large staffs in the employ of the government and putting a further load on the already over-burdened taxpayers. I believe there are some 150,000 government employees still on the payroll. This is nearly three times as many as before the war, and the cost to the government is about $20,000,000 a month. If the government had seen fit to release some of these employees it would have meant a tremendous saving to the country, and other economies could have been put into effect. Many of these people would then have been available for employment in industry and on the farms.

In connection with this budget another matter with which I cannot agree is making compulsory the acceptance of the family allowance, in respect of income tax. It was quite all right for those who wanted the baby bonus to apply for it and have it, but why should people be compelled to take with one hand in order to be in a position to give with the other? The minister says this has been done in the interests of efficiency. I suggest it has been done so that the government could claim they were assisting in the upbringing of some three million children. The fact is that it is merely confusion. There are many simpler ways of assisting the man with the large family. The most practical would be to allow a larger income tax reduction for each child. Let the father of the family keep the income he earns. That, however, would seem to be too simple a method for this government, notwithstanding that it would save the enormous expense of maintaining an organization to keep the additional records, send out cheques and so on.

I suggest that it is high time this government gave some thought to the matter of economy, and to easing the load on the taxpayer, especially in the lower income brackets.

At six o'clock the house took recess.

[Mr. Aylesworth.]

After Recess

The house resumed at eight o'clock.

Mr. PAUL EDMOND GAGNON (Chicoutimi): (Translation): Mr. Speaker, before this debate is brought to a close, I wish briefly to acquaint the house with the reaction of my constituents to the budget speech delivered by the Right Hon. the Minister of Finance (Mr. Ilsley.) The people expected, and reasonably so, a general tax reduction. After having done more than their share during the difficult years of the war to help the government in bringing to victory the struggle undertaken, our workers were desirous of having enough money left out of their pay cheques to enable them to cope with the ever increasing cost of living. In my opinion, the tax exemptions in the case of married persons should have been brought up to $2,500 and in the case of single persons to at least $1,000; I believe the government should forthwith consider this matter. The working classes are over-taxed and they certainly deserve a little more consideration from the government.

Insofar as the proposed tax on cooperatives is concerned, I must say that the cooperatives of my district have been organized by far-sighted and honest farmers who combine their resources in order to obtain a higher price for their products; other cooperatives have been organized by various groups of small wage earners, who combine their moral and financial resources in order to secure necessities of life at a lower price. We should have more than sympathy for such organizations. In my opinion, they should be tax-free because they are only the representatives of the members to whom the directors must report and, after a strict auditing, refund any overpayments in proportion to each member's patronage.

The agricultural cooperative is, in our province, the necessary adjunct of the farm

and serves those classes of society that need protection and help to survive. We cannot compare them with those monopolies and trusts that are cooperatives in name only. I therefore protest against that tax, which will not even bring enough yearly income to pay the interest on the billion dollar gifts made to foreign countries. The tax on soft drinks which, after all, is merely a nuisance tax, is another of the levies that directly affect the people, and which should be abolished as soon as possible. There are so many other sources of revenue to which the treasury could resort that we find it hard to understand the attitude taken by the government on the matter.

In concluding those brief remarks, I wish to say a few words about the flag question. It is my privilege to represent in this house a constituency which numbers among the most populous and the most advanced, from the industrial, ideological, cultural and social standpoints, in the province of Quebec. Important towns, perfectly developed, lie close to unmatched rural centres. The representations made by my electors, as well as the reports, resolutions, letters and telegrams I have received from individuals or public bodies lead me to believe that 98 per cent of the 80,000 people in the Chicoutimi district desire and want an absolutely distinctive flag. That is all to their credit.

No union jack, no fleur-de-lis, no camouflage, no old imperial fabric mended with maple leaves, but a new and distinctive flag, symbolizing a sovereign, free and independent nation. A flag we shall be proud to unfurl, which will appeal to our hearts and minds alike, which will be attuned to every patriotic aspiration of a country that has lived, that has suffered and that endeavours to free itself from all foreign servitude so as to give its own ambitions a broader scope, an ever nobler and loftier ideal.

You wish for national unity, you hope that all sections of our population may live in brotherly understanding and work in unison, under a common allegiance, to ensure our national future, well then, give us first a flag which every race represented in Canada may accept, as an emblem of strength, fame and achievement in keeping with the sentiments and wishes of the various ethnical groups making up our population.

A distinctive flag, essentially Canadian, will be a rallying emblem for all Canadians. A hybrid flag, were it named the Red Ensign, would be a symbol of disunity and misunderstanding. We do not want it.

Mr. J. W. BURTON (Humboldt): Mr. Speaker, some hon. members may be anxious to have this debate closed, but I make no apology for taking the time of the house to voice, on behalf of the people I have the honour to represent, their objections to the budget as brought down by the Minister of Finance (Mr. Ilsley) on June 27.

From all reports I have received thus far, this budget is the most unpopular ever presented to the Canadian people. On the night the minister made his speech I venture to say there were tens of thousands of people, from the Atlantic to the Pacific, sitting by their radios waiting to hear what tribute they would have to render unto Caesar; or rather, I should say, to know how much less Caesar would extract from them. But what a disappointment! Seldom if ever did so many people in Canada expect so much from one man and get so little.

Before dealing with certain features of the budget, I should like to make a few observations. There are times when I find myself in the awkward position of having to defend the Minister of Finance from his own friends and party supporters out in the country. In the past I could do this conscientiously, because if—and I emphasize the word "if"—I were a believer in the capitalist system of so-called free enterprise, I would not know where to go to find a better Minister of Finance. Even the Tory members of the Progressive Conservative party seem to realize that. No doubt they have found it difficult not to receive this orthodox budget with open arms. Would they have done better if the hon. member for Muskoka-Ontario (Mr. Macdonnell) had presented the budget? They might have put a different coloured coating on this bitter pill, but underneath it would have still been the same capitalistic formula: To those who have, more will be added thereto, and to those who have not, even that shall be taken from them.

In the matter of price control, I doubt if they would have done much better than the present administration except that in all probability they would have made more noise about the defrosting process. The Tories seem to have a knack for doing a lot of blasting. It will be remembered that in the early thirties they had the one and only R. B. Bennett who was going to blast his way into the markets of the world, but his powder got wet. They now want to blow the lid off the price ceilings; but, after listening to their financial critic reply to the Minister of Finance, I could not avoid thinking of the noise made by a harmless fuse on a first of July firecracker that failed to go off.

I should like to deal with the budget as it concerns the taxation of cooperatives. I want in the most emphatic way possible to

protest against the—I was going to say retroactive feature but I know the minister has taken exception, on a number of occasions during this debate, to the use of that phrase. However, I would remind him that back out in the country the members of cooperative organizations, the farmers who have their little cooperative trading associations, look upon it as a retroactive feature regardless of what the minister calls it.

There is the other factor, the minister's attempt to force all cooperatives into paying a return on the invested capital. I ask: Where is their so-called free enterprise when they are forcing those who find good in the cooperative movement to accept their pagan philosophy that the wages of money must receive the first consideration? That is a vital question in so far as those of us who are in the cooperative movement are concerned. We in the cooperative organizations have endeavoured to build on true cooperative principles, but because of the shortcomings or neglect of the governments of the past there has not been placed upon the statute books of this country a real cooperative act that would give a guide to cooperatives as to what they should do in order to satisfy the government as to what a cooperative really is.

In these cooperative organizations we have one thing which, in my opinion, is the hope and salvation of people in democratic countries. By forming into a cooperative, people are given an opportunity to unite their efforts in self-help. While the Minister of Finance may clamp his finger down on only one section of the cooperative movement, we do not know but that his successor in another year will put the thumbscrews on another section. I should like to give a little illustration of this self-help idea, which is to be found in one form or another in all our cooperative organizations.

Back in 1919 there was started north of Humboldt a rural telephone line which I had organized previously. This line was constructed in order to provide telephone facilities to the people in that district. The company was incorporated under the provincial statute as a non-profit-making organization. Over 175 farmers are connected together by the system and we have day and night service for 365 days in the year at a cost of $9 a year. Throughout the years the board of directors have received no remuneration except a per diem allowance for the time spent in attending to the company's business. The shareholders who subscribed for shares have received no dividends, but from time to time money is placed in the reserve account.

It has worked out in this way. We could not wait until the end of the year to collect from our subscribers the money required to pay the operating costs. We estimated what our expenditures would be, and we made a levy that we considered would be ample with which to pay our linemen, our repair bills and so on. Naturally at the end of the year we had a surplus, but we did not pay any interest on the invested capital, nor did we pay any dividends. If the Minister of Finance wishes I can bring him a file to show that last year this company had considerable correspondence with the department in Ottawa. They had difficulty in getting the department to understand that the company was not a profit-making organization. For a time the department refused to allow them to buy war savings certificates, on the contention that they were a profit-making organization. How do I or any of the members of the other telephone companies in Saskatchewan know that the minister or the Minister of National Revenue (Mr. McCann) will not soon tell us, "You must pay interest on your share capital"?

I should like to quote briefly from a letter I received from a farmer in my constituency, and I can assure the house that this letter voices the opinion of the great majority in my constituency and, I am satisfied, also in the greater part of the west. Here is what he said in regard to the taxation of cooperatives:

> The people here are sore about the taxing of cooperatives. They look on it as a raid on the treasury of the cooperatives.

Then again:

> Every one knows that the farmers started the wheat pools to save on the costs of marketing, which were excessive. All that the farmer wanted was a fair share of the consumer's dollar and not a profit.

I should like to quote from a letter received, not from a person living in my constituency, but from a man who lives just across the line, in the constituency represented by the hon. member for Rosthern (Mr. Tucker). He is a personal friend whom I have known for many years. He addressed his letter to the Minister of Finance and sent me a copy, thinking no doubt that the minister would be so busy that he would not have time to attend to it. The letter reads:

Hon. J. L. Isley,
Minister of Finance,
Ottawa, Ontario.
Dear Sir:

Re taxation of cooperatives

You are a busy man. In my own way, so am I. I have just read in *Hansard* that part of your budget speech dealing with the position of cooperatives in respect to income tax. If I read correctly and the House of Commons accepts your recommendation, it is your intention to

take from me certain moneys that belong to me personally by way of taxing the wheat pools who are holding this money in trust to my account.

I take very strong exception to this action on your part and request that you give me good and sufficient reasons on common sense and moral grounds for your actions.

He goes on:

Let me put my position before you:

(1) In 1924 I, with my neighbours and other farmers in this province, grouped ourselves together in what was known as the Saskatchewan wheat pool. In that year our grain was handled under agreement with private elevator companies. In many cases this agreement was not lived up to in spirit, if in letter, by many of these companies and proved to be unsatisfactory.

(2) As a result of dissatisfaction, in 1925 we found it necessary to handle our grain through our own elevators known as Saskatchewan Pool Elevator Company. These elevators were to be operated at cost. Any moneys in excess of actual operation costs were, obviously, a part of the price of my grain and belonged to me personally and at no time were the property of the elevator company.

(3) In pursuance of this policy of operating at cost, pool elevators in 1925 made no charge for handling and storing of grain at the time of delivery, the policy being to deduct actual operating costs from the final payment to be made when all the grain handled had been sold, plus reasonable reserves.

(4) My recollection is that on some of the lower grades and mixed grades of grain handled, no final payment was available to make such deductions. The result was that members having such grain got it handled for nothing, which obviously was not fair to other members.

(5) As a result of this experience, the board of directors quite properly saw the necessity of making a charge for handling and for storing the grain at the time of delivery to the elevators.

(6) For reasons of safety, and because at the beginning of the grain delivery season it is impossible to accurately anticipate operating costs, handling and storage charges were set at a level greater than was necessary to meet the costs. In other words, part of the proper price of my grain was unavoidably taken from me at the time of delivery.

(7) This policy of charging an amount for handling of grain at the time of delivery has been followed in subsequent years and has proved satisfactory to me and in line with co-operative principles and sound business practice. The fact that any excess charge greater than operating costs belong to me as the grower of the grain and a proper part of the price of such grain has been accepted by the members through their organization and until just recently admitted and gone unchallenged by your and preceding governments.

He goes on:

Now, I am in complete agreement with you when you say that the profits of cooperatives should be taxed the same as private companies and believe that cooperatives themselves are also in agreement.

May I interject there, so long as we have or may have a cooperative act that will give us all a yardstick to go by, so that we shall not be subject to the whims of certain individuals or officials, changing from year to year. The letter goes on:

My question to you, Mr. Ilsley, is, by what process of reasoning do you find that the pools are taxable on moneys that obviously do not belong to them as organizations and which they hold in trust for their members? Obviously, and I think you must agree, such moneys are a proper price of the grain and should become taxable only when they get into the members' hands and they are found to be taxable under the provisions of the income tax laws.

I ask of you a plain and straightforward answer to this question. In closing, may I say that it does seem ingratitude on your part and on the part of your government and a lack of appreciation of the very fair and moderate stand the wheat pools have taken all along in the matter of grain prices at a time when the attitude of privately owned elevator companies must be a cause of considerable embarrassment to yourself and your government.

I wish to say a few words about that flood of postcards which some of us members have been receiving. Here are samples of two different kinds that I received. One of them says:

I respectfully urge:

1. That the government apply income taxation on exactly the same basis on all forms of commercial enterprise, including cooperatives, crown companies, municipal and governmental undertakings and mutual concerns.
2. That patronage dividends, and like payments, be disallowed as an expense before arriving at taxable income.

The other card is of a different colour and is worded a little differently. It says:

Dear Sir:

I respectfully urge that the government apply the same principles of income taxation to all forms of retail business, cooperative and otherwise. I further urge that patronage dividends should not be allowed as an item of expense before computing taxable income.

Yours sincerely

Very appropriately this card bears the name of Mortimer Snerd. That is the way I received it in the mail.

There were, according to the 1941 census, 43,292 people in the constituency of Humboldt. Up to date I have received 253 of these cards. That includes men, women and children, and even those bearing bogus names. Everyone of these cards received by me I acknowledged. A large number of my acknowledgements were returned with the postmaster's notation, "Not called for", or "Unknown here". I should like to read part of a letter I received from one man in reply to my acknowledgment:

Mr. J. W. Burton, M.P.
House of Commons,
Ottawa, Canada

Dear Sir:

This acknowledges receipt of your letter to me dated the 14th instant, in which you acknowledge receipt of a postcard purported to have been signed by me. In reply I would advise

that I have not signed any of these "request" or "urge" cards that are being distributed through the mails to the taxpayers of the country. If any such card has reached you under my name it has been signed by someone else than myself.

If the paper shortage is as acute as our government would like to have us believe, why all this tommy-rot and cluttering of the mails in sending out all these cards, many of which may have never been seen by the party whose name is attached to them?

While on the subject of these cards, I want to say that I have always welcomed hearing from the people of my constituency, and I shall continue to look forward to hearing from them. But most of the people in the constituency have known Joe Burton long enough to know they do not need to have some smart aleck in Winnipeg or Toronto prepare their message to me for them. I have lived in the constituency for over forty years, and for thirty years I have been an active member of a number of cooperative organizations.

But those 253 cards were not the only communications I received on this taxation question. Over fifty wheat pool locals and other local cooperatives in my constituency expect me to protest vigorously on their behalf against the action of the government in this matter, I shall not weary you, Mr. Speaker, or hon. members by reading all their protests. I shall read only this one as an example, and may I remind the house that the total membership of the local cooperatives I have just mentioned in my constituency is many times greater than the number of cards I received, which were prepared evidently by the so-called income taxpayers association. This letter expresses what they are protesting against generally:

We the members of Quill Lake and Valley Plains Local, strongly protest this move by opponents of the cooperatives, and we wish to bring to the attention of our member of parliament the fact that the farmers of Humboldt constituency are definitely in overwhelming majority in favour of exemption from taxation of patronage dividends in the hands of cooperative organizations, and further, we respectfully request your full support of our views when this matter comes before the house.

May I say, when they ask for exemption from taxation of patronage dividends they do not want to have taxes applied to moneys which are being held for them in trust by their respective cooperative organizations.

I have here a notation that the hon. member for Inverness-Richmond (Mr. McGarry), speaking during this debate, said, as reported in *Hansard,* at page 3540, in reference to Doctor Coady, who is connected with the cooperative movement in the maritimes:

Doctor Coady has been the organizer, the initiator and the developer of the cooperative movement throughout the maritimes. He is now and has been for many years the director of that movement.

From what I have heard, Doctor Coady is the director of the extension department of the St. Francis Xavier university at Antigonish. It is quite true that he has taken an active part in the organization of cooperatives, but as far as I can find out he is not listed as director of the cooperative movement in Nova Scotia. However, to come to what is more pertinent, the hon. member for Inverness-Richmond said:

What does Doctor Coady say of the legislation dealing with cooperative taxation? He has said it over the radio; he has expressed it in the press. This is what he said: "I am well satisfied with this legislation."

I do not know Doctor Coady personally, but I have heard a lot about his good work; and, having heard and read what the hon. member said in that regard, while I do not doubt his honesty of purpose, I do question the exact attitude of Doctor Coady, if that is the way it was expressed. Why would the cooperative union in New Brunswick, which is part of the movement that Doctor Coady helped build up, have already sent in a protest, as I understand they have done, against this new proposal? Why would the cooperative movement in the province of Nova Scotia, in the organization in which Doctor Coady, again, has been a main driving force, be worried about this and be considering sending in a protest against this legislation? The only explanation which I can think of as to the quotation attributed to Doctor Coady is that probably, on the night the minister delivered his budget speech, some newspaper man got Doctor Coady on long distance telephone or telegraphed and told him that the patronage dividends of cooperatives would not be taxable, without giving him all the other little details; and on hearing that, Doctor Coady possibly said that that would be fine; he was well satisfied. But I doubt if Doctor Coady will be satisfied when he has the full information before him.

One more thing while I am dealing with quotations. On July 10, when the hon. member for Lake Centre (Mr. Diefenbaker) was speaking, he said, after an exchange between him and my leader, the hon. member for Rosetown-Biggar (Mr. Coldwell) and several others:

That, of course, is the length to which my hon. friend, the leader of the C.C.F. party, has gone in this discussion. I can say that he may not be a Conservative, but, as the head of one of the greatest cooperatives in the province, he has indicated the support he would give to my hon. friends of the C.C.F. who have en-

deavoured to make the cooperative movement in Saskatchewan or elsewhere an annex or an adjunct of the party they represent.

As a member of cooperative organizations in Saskatchewan throughout all these years, I emphatically deny that we of Saskatchewan have in any way endeavoured to bring in the cooperative movement as an auxiliary of the C.C.F. party. I will say this much, that many members of the cooperative movement support us; I as an active worker in cooperative movements have from time to time worked with Liberals and Conservatives, and at no time did any of us attempt to bring politics into our cooperative organization meetings or any of our work. About the best example of cooperation which the hon. member for Lake Centre might experience is when, a year ago last June, some Liberals in the constituency of Lake Centre joined with the Conservatives to elect him, and defeat an outstanding cooperator in the province of Saskatchewan.

Mr. Speaker, on behalf of the people I have the honour to represent I express regret that not more consideration was given to those in the lower income brackets when the minister brought down his budget and announced a new schedule that is to go into effect six months from now. I have always contended, and so have all members of this group, that the first charge on the production of a nation is a decent standard of living for the people who make that production possible. The Minister of Finance and the Minister of National Revenue (Mr. McCann) know, as well as do all other hon. members, that $750 exemption for a single man and $1,500 for a married couple will not give a decent standard of living. When people earn enough to be able to pay the tax over and above having a decent standard of living the majority, it will be found, will be prepared to do so.

I see my time is going on, and there are a few other things I wish to discuss. I just want to say to you, Mr. Speaker, and all hon. members that some day I am going to take a little time out and tell you two things. One is what we in the C.C.F. mean and would do in so far as social ownership of property is concerned; and the other is, to give you a straightforward, clear-cut example of what a C.C.F. government in Canada, namely in the province of Saskatchewan, is already doing in that respect. But I shall have to leave that until some other time, because I have a matter here with which I think I should deal. I can assure the house that it is not wholly a pleasure in so far as one part of it is concerned.

Speaking on July 16, the hon. member for Charlevoix-Saguenay (Mr. Dorion) took part in this debate. There is one part of his speech with which I can agree. When he was referring and objecting to the taxation of cooperatives he said this, at page 3519 of *Hansard*:

> I submit that the best way to ensure our population against the dangers of supporting subversive doctrines, is to give them the means and opportunity of acquiring a measure of wealth and becoming landowners.
>
> Since it is difficult if not entirely impossible to conceive of all citizens individually acquiring property, we may, as an alternative, encourage them to joint ownership; such is the function of cooperative societies.

Further on, he said:

> The budget, however, ignores this principle; that is why, among several other reasons, I cannot approve the financial scheme as it was brought before us.

I am sorry that the hon. member is not in his place at the moment because, while not agreeing with other parts of his address, I should like to congratulate him on that statement, and other hon. members as well who have spoken in the same vein. I assure them that when they speak like that, whether in the French language, in English or in any other language, that is language that we cooperators can understand. I regret, however, that the hon. gentleman considered it necessary to put on the record a dispatch from Regina as it appeared in *Le Droit* on July 11 regarding the address made by His Excellency P. J. Monaghan, Archbishop of Regina, wherein he is reported to have accused the provincial government of Saskatchewan of appointing communists to high posts in the department of education. The quotation used by the hon. member can be found in his speech at page 3519 of that day's *Hansard*.

I regret that I did not have an opportunity to learn French when I was young. That is my loss and no one's gain. However, I could understand enough to know that the quotation which the hon. member was using had reference to the provincial government of Saskatchewan, and therefore I made it a point to check on the question he raised. May I say to him—and I hope his deskmate will convey to him what I say in this respect and ask him to look it up in *Hansard*—that I have had the privilege of knowing His Excellency Archbishop Monaghan for many years, and I am sure that the archbishop will deplore the fact that the hon. member saw fit to bring this matter into the debate.

May I say again with all deference to the hon. member for Charlevoix-Saguenay that he can rest assured that this question can be

much better left to the good judgment and common sense of the people in the province of Saskatchewan. May I further point out to him and others that people who live so far away and know very little if anything of the situation should be careful about accepting newspaper reports, because they do not always carry the whole story. For example, I have a report taken from the Regina *Leader-Post* dated July 8, which, while not entirely conforming to the quotation used by the hon. member, is nevertheless close enough to it so that for the present I will not raise any objection. I have, however, a further report taken from the same daily paper, four days later, July 12, in which they again deal with the archbishop's address, and here is what they say in part:

> In a *Leader-Post* news report of the archbishop's address carried Monday afternoon and Tuesday morning, it was indicated inadvertently—

I should like hon. members to note that.

> —that the criticism was directed only towards the present provincial government, whereas actually His Grace was referring to a long-standing situation which the Roman Catholic church regards as highly unsatisfactory.

As I stated when I began, I regret that occasionally I find it necessary to deal with such matters, but once it becomes necessary I do not hesitate to do so; and since the question has now been brought into the house by the member for Charlevoix-Saguenay, may I take this opportunity to say that in my opinion no political party in Canada has gone as far as we have in the C.C.F.—and this is especially true of Saskatchewan—in our endeavours to prevent the infiltration of communists into the party. We have on a number of occasions used our right to expel from our organization members who belonged to the communist party, because we contend, and rightly so, that no person can be a member of two different political parties at the same time and be honest about it.

Instead of receiving credit for that action, we were from time to time ridiculed and abused, while the Liberal party openly flirted with communists for support. May I further say that while I have not had an opportunity to become fully acquainted with the question that is supposed to have been raised by His Excellency Archbishop Monaghan, I can say that when appointments are made by the C.C.F. government of Saskatchewan that government does not subject applicants to an inquisition as to their religious or political beliefs. I am sure the hon. member will fully agree with that procedure and will also realize that there are some people who will take unfair advantage of this. But I am happy to be able to inform him that when the C.C.F. government of Saskatchewan finds this to be the case, it does not hesitate to take the necessary action to rectify the situation. And it has done so on a number of occasions.

Before I conclude, may I say that I am informed that some serious objection has been raised to the Saskatchewan government allowing the adult education branch to use some material prepared by Dyson Carter, pertaining to atomic energy. I do not know whether he is a believer in communism or whether he belongs to the communist party, nor have I had an opportunity to read his work on atomic energy. I am reliably informed, however, that his work on atomic energy is of a purely scientific nature and makes no reference to religion or political philosophy.

In conclusion, I wish to say a few words on which I had intended elaborating. I can assure the Minister of Finance that it is not our purpose to try to make his difficult task still heavier, but we consider it our duty to bring to his attention and that of the government the feelings of the people back home. We wish to bring to the attention of the government the necessity of giving the people of our country an opportunity to have a fair and decent standard of living, and we say, "While we doubt that you can do it under your system, for goodness sake try to do the best you can and we will help you as much as possible." But sooner or later—I hope sooner, for the benefit of all—the people will wake up to the fact that, regardless of what government we have in power, so long as they allow monopolistic corporations to skim the cream off the production of the nation so long will there be high taxation to carry on the affairs of government. Not only in our country have we this difficulty, but throughout the world, for things are in a state of upheaval. Many people have been looking forward to the time when we could say we had peace. We have longed for peace, worked for peace and fought for peace, but we have no peace.

It is the duty of everyone of us to do his best to bring that peace about, and I should like to read a few quotations from a friend of mine who had something to say when times were hard and difficult:

> Keep alive your faith in the ultimate triumph of good by remembering this wise saying: "There is not enough darkness in the world to put out the light of one small candle."
>
> Each time we win a victory, we have lit a candle that all the darkness of this world can never extinguish, for that which is good will triumph and will serve as a light to others.
>
> If we must hate, then let us hate the evil and not those unfortunates who have committed it. Everyone holds a candle, but the wicks on some have not yet been charred. It is our duty to

light those candles from ours, and so continue until the day comes when there shall be no darkness.

All this will come to pass when the brotherhood of man becomes a reality.

Right Hon. J. L. ILSLEY (Minister of Finance): Mr. Speaker, we have had a long and at times interesting debate on the budget. The criticism has been pretty outspoken, and much of it has been severe. As I have listened to hon. members speaking, I have thought sometimes that they have failed to put themselves in the position of a minister of finance or a government trying to finance a country which has come through five or six years of the most terrible war in human history. Most of the speeches have been directed to the urging of measures which would help here and there, but few of the speeches that have come from the opposition parties in this debate have taken into account the necessity of keeping within our means.

This question was raised by the financial critic of the opposition in the opening speech, when he asked: "Do we or do we not believe in deficit budgeting?" Well, Mr. Speaker, I must say I cannot see how a responsible government or a responsible minister of finance could possibly advocate a system of continued deficits in the Dominion of Canada, that is, deficits year after year, year after year. Therefore the government must in some way, particularly at a time when our national income is as great as it has ever been in the history of Canada, try its best to equate revenue with expenditure. That is the reason we cannot be popular and generous in the fiscal measures we put before the country. If I wanted to popularize myself with the opposition parties in this house I could do so. I could recommend high exemptions; I could recommend large reductions in taxation all along the line; I could budget, instead of for a deficit of $300,000,000, for deficit of a billion or a billion and a half, or something like that. And judging by the tone of the opposition speeches we have heard during the past two weeks, my actions would meet with approval.

I cannot bring myself to do that, even though we have to take a hard course. I know my Social Credit friends think there is another way to do it; that is, by the issue of money. Surely, however, at a time like this even the members of the Social Credit party must realize that this country does not need more money in circulation, or more credit; that this is one of the great contributing causes to the inflationary trend which is so obvious at the present time. So we are brought back to this, whether we like it or not and whether or not it is popular; we are brought back to the necessity of equating revenue and expenditures when we have high employment and a high national income.

The Conservative opposition has attacked our expenditures. The C.C.F. opposition has shown no concern about our expenditures. Indeed I want to say to the C.C.F. opposition that I do not think in any of their speeches they have faced up to the real problem confronting the government of Canada at the present time. In many respects their speeches are highly intelligent. I do not want to be considered condescending or patroninzing in saying that, because I enjoy listening to them; but they never come down to this: How would they finance? That is the question they never answer. With regard to the Progressive Conservative opposition, they meet this problem by saying that we should cut our expenditures.

Mr. MACKENZIE: Not in the committees of the house.

Mr. ILSLEY: Oh, well, no; and not in the house, and not in their preelection platform, and not in the country. When we have tried to pin them down to specific savings of expenditures in this house, the showing has been pathetic. There has been a tiny suggestion here and a tiny suggestion there.

Mr. MACKENZIE: Puny stuff.

Mr. ILSLEY: Puny stuff, as my hon. friend says. However, that point has been met during the debate by speeches from this side of the house, and I do not propose to go into it again. There has been some criticism of the fact that these cuts do not take effect until January 1 next, and it has been urged that our new income tax cuts should take effect on July 1, 1946. Well, what were the reasons why we proposed to institute these reductions in taxation on January 1, 1947, instead of July 1, 1946? To begin with, we legislated for 1946 in October of 1945. We made a sixteen per cent cut in our income tax and very heavy cuts in our other taxes in the October budget of last year. The cut for 1946 was provided for then. Some references have been made to promises implied, or something of that kind, by myself that any reductions in this budget would apply to the current calendar year; but no such promises have been read or cited or quoted, nor can any promises to that effect be quoted because I know pretty well what I have said. As I say, 1946 was legislated for by the budget of October 12, 1945; but there are other

reasons. One reason is that had we instituted the reductions in income tax effective July 1, 1946, our deficit, instead of being $300,000,000, would have been very much greater than that; and the responsible critics of the budget in this house do not believe, and I agree with them, in deficit financing. Therefore we had to take into account our financial necessities.

It must be remembered that we changed our income tax system here in 1943. From 1917 to 1943 when income tax changes were made they were effective the current year, because the taxes paid in one year were taxes on the income of the preceding year. That is, in 1935, for example, a taxpayer paid taxes on the income of 1934. But that system was changed in 1943, at a very considerable price. We relinquished 50 per cent of our tax, or something of that kind, in order to get the taxpayers of Canada on the pay-as-you-go, pay-as-you-earn plan. So that now when the taxpayers of Canada pay taxes in a certain calendar year, they are paying on the income of that year, and therefore there is not now the traditional reason for making changes in the income tax system apply to the current year. But there is another very good reason against doing it this year. It is, I think, impossible to put a completely new pattern of taxation into force in the middle of the year. What we have done in the budget of this year is a radical thing, so far as income tax is concerned. We have immensely simplified it, to begin with. We have raised the exemption. We have dropped the normal tax. We have instituted a different method of fitting family allowances into the taxation system, and we have replaced tax credits with deductions from income when providing for dependents.

When you have a deduction at the source system, and when you have forms in the hands of thousands and tens of thousands of employers in the country who are making deductions from their employee's incomes and you come along with a completely new system in the middle of the year, you create immense confusion. As a matter of fact no government should make a change like that without giving several months' notice.

For that reason it was felt entirely impracticable to institute a new system of taxation during the current calendar year, and that it would be better to have the deductions start in January, 1947. I do not say that you cannot make any changes which affect a current year. You can make a percentage cut. For instance, you can make a five per cent cut on all taxes, or something of that kind. But I do not think any hon. member would have been in favour of another straight percentage cut. I do not think there would be a member in the house who would be in favour of that. A moderate cut is, I think, all right. We did that. But if you keep that up it is unfair to the low income groups. Therefore we could not attempt another percentage cut. There might be simple changes which you could make during the current year, but not the institution of a new system or introduction of a new pattern of income taxation.

Then there is the question of the provincial agreements. I am not here to put any authoritative interpretation upon these agreements, respecting our obligations to reduce taxation. But I think the relevant clause of the provincial agreements is open to this interpretation, that we must start with the taxes in force on December 31, 1946, and reduce the rate then in force for corporations by ten per cent and reduce the rate in force for individuals by a substantial amount.

If we took $155 million out of our present income tax and substantially reduced our corporation tax in the middle of 1946, we would be in a difficult position if a similar cut were necessary under the provincial agreements at the end of the year. I hope it will be fully understood by the house how important it was and how necessary it was that we should not make the alteration in the middle of the year.

Then there have been criticisms of the reductions in taxation to the effect that they were niggardly. Let us look at that. The reduction for 1947 is very substantial, judged by any responsible standard. In total, including the additional $12 million cost of family allowances it amounts to $155 million, or a quarter of our present income tax revenue. That is the personal income tax. I am under the impression that it is not fully realized that this reduction comes on top of the sixteen per cent reduction that is now in effect and that taken together they represent a total reduction in our personal income tax revenue of $270 million a year, which is over thirty-seven per cent of the revenue from this tax. And mind you, this is within a year and a half after the end of the war. Furthermore, some 550,000 to 600,000 taxpayers will be removed completely from the tax rolls in 1947, and for those remaining taxable the tax will be back to a level lower than the level of 1941. And when you just look at it you can see that certainly a reduction of that order cannot, with any justice, be termed niggardly, particularly when it leaves us in a deficit position.

Then the hon. member for Winnipeg North Centre (Mr. Knowles) made a criticism of the budget and placed on *Hansard* a set of tables. I am not going to deal with the first three tables which he placed on *Hansard*. Whether his first table has any validity or not is a matter of political philosophy, more than anything else.

Mr. KNOWLES: Social philosophy.

Mr. ILSLEY: Social philosophy, perhaps. But I disagree so fundamentally with the whole basis of the argument he used that I do not think I need say anything further to indicate that fact. The second and third tables are difficult to understand, and they do not indicate that there have not been substantial tax reductions. They are very much more complicated than that, and I find them entirely unconvincing. I doubt whether anybody else would find them very convincing. Then, I wish to refer to the fourth table particularly, because of the rather striking statement by the hon. member as it is found at page 3373 of *Hansard* where it says:

> I have added the average amount of the national defence tax payable in 1941, namely 3½ per cent, to each of the rates in the different brackets. An interesting thing that develops from this table is that in the brackets from zero up to $3,000 of taxable income, the rates in 1947 are greater in all cases than were the rates in 1941. For example, in 1941, the rate for the first $1,000 was 18½ per cent. It is now 22 per cent for the first $250, and 25 per cent for the remainder of the first $1,000. So it goes right on up to $3,000; the rate to be applied under the new budget in each case in these lower brackets is greater than it was in 1941. But from $3,000 to $30,000 the rates to be applied in 1947 are in all cases less than those that were applied in the year 1941.

I said, when the tables were placed on *Hansard*, that I would not raise any objection to them, but that there was no admission as to the correctness of them. If they were incorrect, and if there were time to do so, an answer would be made, but the hon. member said he vouched for their correctness. However, there is an error in table No. 4, not an arithmetical error, but a more basic error The hon. member has applied the national defence tax only to the part of income over and above exemption, instead of applying the national defence tax to the whole income from the first dollar. Therefore his 18½ per cent is much too low, and the same applies to his other figures. That, I say, vitiates the table. My officials advise me that that is so. Indeed he says:

> I have added the average amount of the national defence tax payable in 1941, namely 3½ per cent, to each of the rates in the different brackets.

Mr. KNOWLES: I will not ask for time to argue my point, but we are trying to get clear as to the basis of this table. Is it not true that the first $1,000 of taxable income over and above the $750 or $1,500 exemption level —I gave as one of the reasons for comparing those two years the fact that the exemption levels are the same—was taxed at the rate of 18½ per cent in 1941, and was therefore comparable to the first $1,000 of taxable income in 1947, which is to be taxed at a rate of up to 25 per cent?

Mr. ILSLEY: This is not so, because the hon. gentleman applied the national defence tax only to the amount over and above the exemption. He would have to apply it all the way down in dealing with the tax on that $1,000. I cannot spend any more time on that. It has been gone into carefully by the officials of my department and that is the conclusion to which we have come.

I should like to say something about the taxation of cooperatives. Hon. members, particularly hon. members of the C.C.F., have taken a position that is surprising to me, that what we are proposing constitutes an attack on cooperatives. I want to deny most emphatically that the government wishes in any way to discourage the cooperative movement in the Dominion of Canada, or that the government had any intention by this proposed legislation of discouraging the cooperative movement in the Dominion of Canada.

Let me give a recapitulation of the course of events. In 1930 the Income War Tax Act was amended to include the present section 4(p), which apparently was intended to give exemption from taxation to certain types of cooperatives. Over a period of years most cooperatives were exempted from tax under this provision, but the law officers of the crown now advise—they have been so advising for the last few years—that in fact very few, if any, cooperatives are organized or operate on such a basis as to secure this exemption.

In the light of this highly unsatisfactory and unsettled situation, the government decided to appoint a royal commission to bring in recommendations. The members of this commission were selected with some care. The cooperative union of Canada was asked to name a member and put forward Mr. B. N. Arnason, deputy minister for cooperation in the government of Saskatchewan. The Canadian chamber of commerce suggested Mr. J. J. Vaughan, a retired business man. The government itself nominated Doctor G. A. Elliott, professor of economics, university of Alberta, and Mr. J. M. Nadeau of Montreal, who combined both economic and legal training, and as chairman, Mr. Justice Errol McDougall, of the

court of king's bench, Quebec. I think the house will agree that it would have been difficult to select a more representative or more competent commission. We took great pains in the selection of that commission, because we knew the great importance of the work they were undertaking.

This commission heard evidence from one end of Canada to the other. Hundreds of cooperative organizations appeared before it, as did groups opposed to the cooperatives. They heard economists and lawyers; they visited the United States and they visited the United Kingdom. I venture to suggest that never before in Canada has the question of the cooperatives received such a thorough and complete review. After months of study the commission brought in a report which was unanimous on the important points. This was a remarkable achievement. The government would not have been at all surprised if there had been a minority report or reports, particularly from the members of the commssion who had been appointed at the suggestion of the various interests concerned. However, the main recommendations were unanimous, the only qualification being in the form of reservations.

Mr. KNIGHT: Was the report unanimous? Was there not a minority report?

Mr. ILSLEY: No; the recommendations were unanimous. There are reservations, these being by Mr. Arnason, Mr. Nadeau and Mr. Vaughan, which did not affect in any important way the central body of the report. Under these circumstances, the government would be assuming a heavy responsibility if it departed too far from the recommendations of that report. At least that was the view we took and we have followed the report in the main. Of course the government are under no obligation to adopt the report of a royal commission; they may adopt it, they may vary it, or they may reject it. But in view of the fact that this was a good commission and that the main recommendations were unanimous, the government felt that they should go as far as they possibly could in adopting these recommendations, which they did.

The main point at issue always was: Should patronage dividends be taxed or not? As members of this house know, there was an intensive propaganda against the report of the McDougall commission on that question. That was the main question on which this intensive propaganda took place. All these letters, speeches over the radio, postcards and all that kind of thing were on that main and central and important point, as to whether patronage dividends should be taxed or not. The government has adopted the commission report in that regard. The qualifications are quite small and I shall deal with them.

I can understand people who want to have everything 100 per cent their own way if they can get it, but there must be a little compromise when you have an acute issue of this kind before the people of a country. The commission came to the conclusion that patronage dividends should not be taxed, that they should be regarded as deductions from income. They recognized the fact that there are cooperatives which have no income within the meaning of the Income War Tax Act, that they market the goods of their members on behalf of the members and return everything to the members. In the case of cooperatives which have no income there is no suggestion that there be any tax imposed.

From hearing some of the speeches in the house, one would have thought that we were constructively creating income which was not income otherwise; that where cooperatives are involved we were saying that there must be at least three per cent. The three per cent provision does not apply at all if there is no income of the cooperative; if in fact there is no income, no profits, then there is no taxing at all.

Mr. BURTON: No profit to the organization, but certainly a return to the member.

Mr. ILSLEY: I am talking only about the tax on a corporate body. The only thing we are talking about here is bodies corporate and I am talking about the corporation tax. The commission said that this rule should apply throughout, that any body corporate, cooperative or otherwise, which paid out on the basis of patronage to its members should be entitled to deduct that from its income for taxation purposes. In that way it has the appearance of fairness.

The fact is, of course, that when you make a recommendation of that kind you are making a recommendation which benefits cooperatives but which really does not benefit to any substantial degree their competitors, private business. The great range of private business in Canada cannot practically pay out part of their profits on the basis of patronage. For that reason the cooperative reaction to the McDougall commission report was pretty favourable. Representations were made that we should not adopt this or adopt that or that we should not adopt it entirely, but it was far more favourable than the private trade reaction to the McDougall commission report, far more favourable than the reaction of the other camp. Even though hon. gentle-

men opposite call us capitalists or say that we are leading a capitalist raid against the cooperatives and make many other wild accusations against the government, having appointed the commission we have adopted its report in its main recommendation, which is that patronage dividends be deducted for taxation purposes.

There was one qualification. That was the qualification of the three per cent. I think I have made it clear that that does not apply at all unless there is true profit in the organization. If there is true profit in the organization we felt that the organization could only have earned that profit by the employment of capital and that it should not be permitted to pay it out tax-free if by so doing it reduced its taxable revenue below a reasonable return on the capital employed. We are not proposing to stop any cooperative from paying it out as patronage dividends, or to compel any cooperative to make a return on capital employed. They can pay it out in patronage dividends if they wish; but they can only pay it out tax-free to the extent that it exceeds three per cent on the capital employed. That was the underlying principle in that regard, and I stated it this way in the budget speech:

> The principle underlying this rule is that amounts set aside out of taxable income to be distributed in proportion to patronage by a co-operative or company which does not pay at least three per cent on the capital employed in its business contain earnings which arise from the employment of capital and ought not to escape tax entirely. For many cooperatives which pay patronage dividends this modification of the commission's recommendation will have little or no effect, for they already recognize an obligation to pay interest or dividends equal to at least three per cent on capital or retain undistributed income on which tax will be payable. Share capital with a limited dividend and with limitation of voting to one share per member rather than one vote per share was a characteristic feature of the plan of organization of the Rochdale Equitable Pioneers Society, the real founders of the cooperative movement. Cooperatives of this character will usually be able to claim the full amount of their cash patronage dividends as a deductible allowance. Any cooperative which does not set aside as taxable reserves or pay as interest or dividends a total amount equal to three per cent of capital employed, will find itself subject to tax on a portion of the amount it had set aside out of its income to distribute on the basis of patronage.

The three per cent may be paid on loans, not necessarily on shares, and if it is paid on loans, then it is a deduction from income for tax purposes if the cooperative has income.

Mr. BURTON: If the minister will allow a question, he spoke of true profit. Would that be only in the case of dealing with non-members?

Mr. ILSLEY: The commission did not so find, and I cannot so find either. But please do not let us get into a discussion on this now, because there is a resolution coming before the house on which there can be a full discussion of the three per cent and of certain other qualifications and extensions of the commission's report, such as the three-year exemption for cooperatives, which the commission did not recommend except as the Minister of National Revenue might direct. I must say that we have tried to be so fair to cooperatives in this matter that I have been a little surprised at the fury of the attack of some members of the C.C.F. on our motives and on our acts in this regard.

One of the recommendations of the royal commission is that to qualify for exemption of patronage dividends all customers must be treated alike. Some exception has been taken to that. Certain members have said that it would be prejudicial to the development of cooperatives. Our feeling is that that danger is very much exaggerated, very much overstated. In fact, we do not feel that there is any substantial danger at all. But I want to say about all this legislation that we must do something in regard to the taxation treatment of cooperatives. We have had a commission which has been studying the matter for a long, long time, a fair commission, which has attained a degree of unanimity which is surprising in the circumstances. If this legislation that we are proposing as a result of the recommendations of the royal commission does not work well; if it turns out to be prejudicial to the development of cooperatives, which we do not want it to be, it can be changed. But I would appeal to members of the house not to take a 100 per cent position necessarily on everything, because this is one of the most difficult questions with which any government was ever called upon to deal.

With regard to the necessity of patronage dividends being paid on an equal basis to members and non-members, though the government does not consider that the rule requiring equal payment to all customers would retard the development or interfere with the operation of a cooperative, some of the cooperatives seem to have fears of this kind. Therefore the government is prepared to give consideration in committee to whether the rule can be made more flexible without departing materially from the basic recommendations of the commission.

Mr. COLDWELL: I think that is the most fundamental thing in the whole business, myself.

Mr. ILSLEY: My hon. friend says he thinks that is the most fundamental thing. The whole commission agreed on that unanimously without any reservation or qualification whatever, that members and non-members must be treated alike, and that is the way we prepared the legislation and are placing it before the house. But I have made the statement that I have just made here, and we stand by that statement.

With regard to the past, the taxation of the grain trade, let us have that put straight before the house. I do not know whether all members understand it or not. It has been referred to as retroactive taxation. We are not proposing to introduce legislation which will tax anything which was earned or accumulated in 1944 or 1945 or 1942 or 1943 or any other year. We are not proposing any retroactive tax legislation. The position we found ourselves in, and I think I have explained it to the house, was this. Between 1930 and 1940 or thereabouts, the pools were regarded as not subject to income tax. Shortly after 1940, doubts arose as to whether they were making a profit or not within the meaning of the Income War Tax Act. Their method of doing business had changed between 1930 and 1940, and doubts arose as to whether they were taxable or not. The opinion of the Department of Justice was taken as to whether they were taxable or not, and in 1941 the Department of Justice gave an opinion that one or more of these pools was taxable. It did not touch the question of patronage dividends. In February of 1943 the Department of Justice gave an opinion that patronage dividends could not be deducted from income for taxation purposes. The pools were so advised and their competitors, the grain trade, were so advised, because the grain trade had previously received an intimation that they could pay patronage dividends. So that during the years 1944 and 1945 the pools operated in the knowledge that it was the opinion of the Department of Justice that they were taxable on the amount of their patronage dividends. They were assessed, and three or four cases were taken to the courts on that. Now, the statement which I made in the budget was an offer of a compromise of the cases that are in the courts. In fact, to do something about these cases in the courts, we have either to abandon them, or to proceed with them, or to settle them, and we have to act responsibly and with a due sense of our responsibility to the other taxpayers of Canada. Anything else would be indefensible. Whether it would be popular or not, I do not know, but it would be indefensible.

[Mr. Coldwell.]

Fortunately, the McDougall commission laid down certain principles which they suggested as a basis for treating cases in the past, back assessments. They laid down what they called the principle of good faith, that if corporate bodies had been led to believe that they were not taxable, that they had not been assessed and so on, and they had ordered their affairs on that assumption, that the income tax administration had given them grounds for that belief, the commission did not think it would be fair to go back and tax them. And we absolutely agreed with that.

But with regard to those that were assessed, different considerations arise. So I made the offer which I did in the budget. Now I want to make it clear to hon. members that this is not part of any proposed legislation, it is not covered by any of the resolutions; it is not something which we are voting on; it is not something that we are passing judgment on at all in this house. This matter of our suggested compromise with the pools is something as to which the government must take responsibility. But as we were dealing with cooperatives, and as it was so important, we felt it was a suitable place to make that offer to the pools, because so far as I know it is only the pools and the grain trade that are affected, that come into this at all.

I want to say just this, that while the language used in the budget may convey the impression that it is "take it or leave it", that is, either proceed with the case or do exactly as we say, I do not think that would be quite a reasonable position for a government to take. I think, and I have so advised the representatives of the pools, that if they consider there is anything unfair or inequitable about our offer and wish to make representations to that effect we will give consideration to their representation in discussing settlement of those cases. Any settlement, of course, must be on a basis that can be defended to the taxpayers and public of the Dominion of Canada. I am concerned in maintaining integrity in our financial and taxation administration, and that we must do, whatever happens.

I think that is all I have to say on the question of cooperatives. It is an endless subject, and of course in my remarks to-night I can only touch the high spots, I can only cover a few things which have been raised in the debate.

Mr. MACKENZIE: And you made a very good job of it, too.

Mr. ILSLEY: I wish now to say something about the dominion-provincial conference. It

is one of the most important matters which ever came before the House of Commons, and I want the house to believe me that it took a great deal of work and a great deal of consideration to frame the offer which I placed in the budget speech. The attitude of the government has been described by one or more hon. members as the attitude of a person wielding a big stick. I deny that. I deny that there is any coercion in this offer at all, and I deny that there is any big stick in it.

I want to elaborate that a little. The only justification for an accusation that there is a big stick here would be a state of affairs like this, that we were virtually driving the provinces into this position, that there were undue differences in the aggregate level of personal income, corporation and succession duty taxation as between adhering provinces and non-adhering provinces. I do not know whether I have made that clear or not; but that would be the essence of coercion, that would be the only justification, I should say, for any claim of coercion, that we had so framed the thing that there were undue differences in the taxation burden, that there had necessarily to be undue differences in the tax burden in the adhering provinces and the non-adhering provinces. That is not so. We almost leaned over backwards to see that it was not so, so that this accusation of coercion could not be made.

In the case of personal income tax, a tax credit up to five per cent of the dominion tax is given to taxpayers in a non-adhering province.

In the case of corporation taxes we insist that adhering provinces levy a corporation tax of five per cent.

As for succession duties, while the dominion's succession duties have been doubled, there is a credit of the succession duty paid to the provinces up to one-half of the new succession duties. It would take a long time to explain just the reasons for those three provisions.

An hon. MEMBER: Oh, oh.

Mr. ILSLEY: My hon. friend is applauding that for some reason or another, but the reason for those provisions is to make sure that there would not be undue or important differences in the aggregate level of personal income, corporation and succession duty taxation in the adhering provinces and the non-adhering provinces. That is the reason for these provisions, and the reason we went that far is so that we could answer the charge that we are wielding a big stick or working any coercion here. I repudiate entirely the charge of coercion or a big stick. It is entirely unjustified.

Mr. CASE: Was there a promise made to the provinces in 1941?

Mr. ILSLEY: I do not understand the hon. gentleman's question.

Then there is the criticism that we have not tried to reach unanimous agreement by having another general conference. I do not want to be too vivid in my language, but you cannot spend the whole year holding conferences, hoping that one may succeed; you cannot do that when your tax agreements are running out and when, if they do run out without an agreement of some kind, the most serious consequences follow. We spent nine months with the provinces and we had conference after conference. Our own offer was used as the basis of the discussions, up to the last minute, so to speak. Finally, we got one offer, one definite independent offer from one of the provinces, and it was far apart from ours; it was $134 million more than ours, when you put a valuation on the tax fields, and perhaps a great deal more than that, perhaps another $100 million. That was all proved by me in the speech I made in the dominion-provincial conference, and it is found in the records of the proceedings of May 3, 1946. While someone said my figures were wrong or absurd or something like that, they have never been proved to be wrong because they are correct. Now, the premier of the province that made that offer—and I do not know that even that was good enough for the premier of another province, because there was no indication that he would associate himself with it—said this:

> The government of Ontario has gone the very limit in making agreement possible, and when I say that it has gone the very limit I mean that it is prepared to make adjustments in detail, but not adjustments in principle or adjustments in regard to the net overriding amount which it receives.

I have a pile of editorials accusing the government of going entirely too far before that, because the total cost of our offers to the provinces when everything was considered was very great. When we found, after nine months of conference, that we simply got to the point where, unless we "upped" our offer by another $134 million to $234 million there was no chance of agreement—and budget time was approaching and the existing agreements were running out—we felt we had to take a different line, and so we put this offer in the budget. We hope the provinces will come in. It is doubtful whether they will all come in, doubtful at any rate whether they will all

come in soon. However, we hope that the framework has been laid for an eventual agreement with all the provinces.

I wish now to say something about this great discouragement of production for which we are supposed to be responsible by our failure to take off the excess profits tax or to lower the corporation tax further. One of the speakers in the opposition advanced the argument that our taxes were so much higher than those in the United States that the United States would get the business, that goods would be made in that country instead of in Canada.

What is the comparative situation? Under this budget our corporation tax in Canada will be thirty per cent. The provinces who accept our offer—the adhering provinces, as I call them—will impose a tax of five per cent, namely a corporation tax; and the non-adhering provinces, I presume, will be obliged to impose a tax of five per cent, or perhaps more, though I doubt it. Corporate income is big, and five per cent was a fairly normal pre-war rate. There you have thirty-five per cent. That will be the corporation rate of tax on the great majority of corporations in the dominion. What is the comparable United States rate? The comparable United States rate is thirty-eight per cent plus such corporation state taxes as there are. That is the comparison with regard to companies not in the excess profits class.

With regard to the excess profits companies, this is the situation. Those which in 1947 earn more than 116⅔ per cent of standard profits will be taxed, under dominion legislation, forty-five per cent—thirty per cent plus fifteen per cent on the excess over 116⅔ per cent of standard profits—and they will be taxed, presumably, by the province another five per cent. That is to say, you will have a tax on that excess on the amount of profits exceeding 116⅔ per cent of standard profits, of fifty per cent. But taking the tax over the whole range of their business, they will have to have very large excess profits indeed for their excess profits tax and their corporation tax to be greater than thirty-eight per cent, plus state taxes in the United States.

What, therefore, becomes of this argument that by our short-sighted, ignorant way of taxing corporations we are going to drive manufacturing business from Canada to the United States? As a matter of fact, there is no justification whatever for the contention; nor is there any justification for the statement that is constantly made that we have a great deal of unemployment, an undue amount of unemployment at the present time, and that production is away down. One of my colleagues, in the course of this debate, made a statement which is quite true, namely, that we have the greatest volume of peace-time production in Canada that we have ever known, and the figures with regard to employment are very much more favourable than those given in the debate.

The Minister of National Health and Welfare (Mr. Claxton), speaking on July 15, at page 3480 of *Hansard* said that Canada was employing 629,000 more people than in 1939, more people than ever before in peace time. That was the figure at February 1. Yesterday the dominion bureau of statistics issued figures indicating that since February 1 of this year an additional 390,000 people were employed in Canada. We had thus 1,019,000 more people employed on June 1, 1946, than were employed in 1939, a remarkably successful effort at reconversion. The dominion bureau of statistics also estimates that the number of unemployed here looking for work in the week ending June 1 had fallen to 126,000, or about 87,000 below the estimate for February 23, which was the last estimate given. The figure of 126,000 is considered to be below normal unemployment in times of relatively full employment. Even during the peak period of the war there were sometimes 50,000 and even more people unemployed. The figure of 126,000 represents less than three per cent of the civilian labour force of 4,828,000. There is, therefore, no basis for the contention that our fiscal policies are preventing production and creating unemployment—no basis at the present time and no basis for the foreseeable future.

I consider this budget, whatever may be said about it by opposition critics, to be the right type of budget. We can go ahead and incur huge deficits, and do everything that everybody wants for a while if we can get people to lend us the money.

An hon. MEMBER: Why borrow?

Mr. ILSLEY: Why borrow? I suppose the hon. gentleman suggests that we should print it, issue it. Well, whatever we did, whether we issued it or borrowed it, if we kept that up there would be inflation of the currency such as would eventually destroy the value of our money. It is not much fun living in a country when the value of your money is going to pieces. I do not say for a moment that it is going to pieces here; not by any means. I do not want that to be taken from what I say. What I do say is that inflation is a bitter thing, and inflation we would have if we did not maintain some degree of responsibility in our financing. People may think it is unimportant, but it is never unimportant. It has never been considered unimportant in the past, and it is

not regarded as unimportant by the labour government in Great Britain, by the non-labour government in the United States—

Mr. MACKENZIE: Or by the Liberal government of Canada.

Mr. ILSLEY:—or by the Liberal government of Canada. There is one development in this debate which I was glad to see. I was glad to see members of the Progressive Conservative party, even in their feeble halting and ineffective way, struggling to criticize expenditures.

Mr. FRASER: We did not have to struggle very hard.

Mr. ILSLEY: The hon. gentleman's contribution was to produce an empty envelope. I join with them, but I do not for one moment admit the government has not done everything within its power under the circumstances to get expenditures down. We have made tremendous cuts in the expenditures; and unless we can get better suggestions than we got from the opposition in this debate, as to where to go from here, we shall have to think of other means ourselves. I do not mind saying that I wish a lot of this pie-in-the-sky business, such as we find in the Progressive Conservative platform, would be cut out for a while now, and I think it will be, inside and outside this house until we get our budgets balanced, especially in periods when our employment and income are high.

The house divided on the amendment to the amendment (Mr. MacInnis) which was negatived on the following division:

YEAS

Messrs:

Archibald
Argue
Bentley
Blackmore
Bowerman
Bryce
Burton
Campbell
Coldwell
Fair
Gillis
Hamel
Hansell
Irvine
Jaenicke
Jaques
Johnston
Knight
Knowles
Low
McCuaig
McCullough (Assiniboia)
MacInnis
McKay
Matthews (Kootenay East)
Moore
Nicholson
Probe
Quelch
Raymond (Beauharnois-Laprairie)
Shaw
Strum, Mrs.
Thatcher
Townley-Smith
Wright
Wylie
Zaplitny—37.

NAYS

Messrs:

Abbott
Adamson
Jutras
Kidd
Baker
Beaudoin
Belzile
Benidickson
Bertrand (Laurier)
Bertrand (Prescott)
Bertrand (Terrebonne)
Black (Chateauguay-Huntingdon)
Black (Cumberland)
Black (Yukon)
Blair
Blanchette
Boivin
Bonnier
Boucher
Bradette
Bradshaw
Breithaupt
Bridges
Brooks
Brown
Cardiff
Case
Casselman
Charlton
Chevrier
Church
Claxton
Cleaver
Cloutier
Coté (Verdun)
Coyle
Croll
Cruickshank
Daniel
Dechene
Denis
Dion (Lake St. John-Roberval)
Douglas
Farquhar
Fleming
Fournier (Hull)
Fournier (Maisonneuve-Rosemont)
Fraser
Fulton
Gariépy
Gauthier (Nipissing)
Gibson (Comox-Alberni)
Gibson (Hamilton West)
Gingues
Gladstone
Glen
Golding
Gour (Russell)
Gourd (Chapleau)
Graydon
Green
Hackett
Harkness
Harris (Grey-Bruce)
Hazen
Henderson
Howe
Ilsley
Jackman
Jean
Kirk
Lafontaine
Lalonde
Langlois
Lapointe
Laurendeau
Leger
Lennard
Lesage
Little
McCann
McCubbin
McCulloch (Pictou)
Macdonald (Brantford City)
Macdonald (Halifax)
Macdonnell (Muskoka-Ontario)
McGarry
McGregor
McIlraith
McIvor
Mackenzie
MacKinnon
MacLean
McMaster
MacNaught
MacNicol
Marier
Martin
Mayhew
Menary
Merritt
Mitchell
Mullins
Mutch
Nixon
Pearkes
Picard
Power
Raymond (Wright)
Reid
Richard (Gloucester)
Richard (Ottawa East)
Robinson (Bruce)
Robinson (Simcoe East)
Ross (St. Paul's)
St. Laurent
Senn
Sinclair (Ontario)
Sinclair (Vancouver North)
Sinnott
Skey
Smith (Calgary West)
Stephenson
Stuart (Charlotte)
Stirling
Tremblay
Tustin
Viau
Warren
Webb
Weir
White (Hastings-Peterborough)
Whitman
Winkler
Winters—135.

PAIRS

The list of pairs is furnished by the chief whips.

Clark	Desmond
Ross (Hamilton East)	Cockeram
Maybank	Diefenbaker
McLure	Dionne (Beauce)
Marquis	Dorion
Maloney	Drope
Eudes	Homuth
Michaud	Ferguson
Gauthier (Portneuf)	Murphy
Isnor	Hatfield
Healy	Charlton
Lapalme	Héon
McDonald (Parry Sound)	Daniel
Pinard	Stokes

Mr. GARDINER: I was paired with the hon. member for Souris (Mr. Ross). Had I voted I would have voted against the amendment to the amendment.

Mr. ROWE: I was paired with the hon. member for Quebec West and South (Mr. Parent). Had I voted I would have voted against the amendment to the amendment.

Mr. BRACKEN: I was paired with the Prime Minister (Mr. Mackenzie King). Had I voted I would have voted against the amendment to the amendment.

Mr. HODGSON: I was paired with the hon. member for York North (Mr. Smith). Had I voted I would have voted against the amendment to the amendment.

Mr. HLYNKA: I was paired with the hon. member for Rosthern (Mr. Tucker). Had I voted I would have voted for the amendment to the amendment.

Mr. KUHL: I was paired with the hon. member for Kings (Mr. Grant). Had I voted I would have voted for the amendment to the amendment.

Mr. ASHBY: I was paired with the hon. member for Temiscouata (Mr. Pouliot). Had I voted I would have voted for the amendment to the amendment.

Mr. HERRIDGE: I was paired with the hon. member for Bonaventure (Mr. Arsenault). Had I voted I would have voted for the amendment to the amendment.

Mr. MATTHEWS (Brandon): I was paired with the hon. member for Norfolk (Mr. Barrett). Had I voted I would have voted against the amendment to the amendment.

Mr. GAGNON: (Translation): Mr. Speaker, I was paired with the hon. member for Lévis (Mr. Bourget). Had I voted, I would have voted for the sub-amendment.

[Mr. Ilsley.]

Mr. JOHN BRACKEN (Leader of the Opposition): Mr. Speaker, the motion before the house is to go into committee of ways and means to consider the measures by which the government is proposing to raise the funds necessary to carry on the government of Canada. The debate on this motion has come to be known as the budget debate. Whatever else may or may not be discussed in the budget, there are three things that always are; the question of expenditures, the question of taxes and the question of the government's attitude toward its increasing debt and caring for that debt. Any other matter may be raised during the budget debate, but to-night I propose to deal only with two points, because most of the other points have been dealt with by speakers on all sides of the house as well as by members of the party for which I speak.

I wish to refer to two of the points referred to to-night by the Minister of Finance (Mr. Ilsley), namely, the question of dominion-provincial relations and the question of the taxation of cooperatives. Before I do that, I might comment upon the closing remarks a moment ago of the Minister of Finance when he said that if we did not show him how to reduce expenditures, they would have to go and do it themselves.

Mr. ILSLEY: I said we are doing it.

Mr. BRACKEN: The Minister of Finance says that they are doing it. The Canadian people will have their own opinion about that when they realize that the present budget in a peace-time year provides for the expenditure of $2,700 million, or five and a half times as much as was provided for in any peace-time year before the war. They will have their own opinion when they realize the size of the tax bill which, with the non-tax revenue, is now some $2,400 million, or five times as much as in any other peace-time year. They will give consideration also to the increasing indebtedness which this year is $300 million on current account and $1,000 million on capital account, and they will as well give consideration to the size of the total debt of this country, which now stands at nearly $16,000 million, or more than four times what it was in any peace-time year.

As I said, I propose to deal only with two questions, that of dominion-provincial relations and that of the taxation of cooperatives. In connection with the latter, the Minister of Finance has anticipated one or two of the things I had intented to say. Nevertheless I shall say what I intended to say in the manner I was prepared to say it.

The question of dominion-provincial relations was first set out in detail in the British North America Act, 1867. In that act the dominion government was given certain powers and the provinces were given certain powers. The dominion government was given certain responsibilities and the provinces were given certain responsibilities. These powers and responsibilities are set out pretty largely in sections 91 and 92 of the act. Dealing with the powers resting with the dominion, section 91 has this to say:

. . . the exclusive legislative authority of the parliament of Canada extends to all matters coming within the classes of subjects next hereinafter enumerated, that is to say,—

I shall mention just two subsections:

(3) The raising of money by any mode or system of taxation.

In other words, the dominion government is not limited in the field of taxation.

(4) The borrowing of money on the public credit.

The powers of the provinces with respect to taxation and the raising of money are set out in section 92 which provides:

In each province the legislature may exclusively make laws in relation to matters coming within the classes of subjects next hereinafter enumerated; that is to say,—

2. Direct taxation within the province in order to raise a revenue for provincial purposes.

In other words, the provinces are limited to the field of direct taxation and cannot invade the field of indirect taxation. Subsection 3 reads:

3. The borrowing of money on the sole credit of the province.

So much for the relative powers of the dominion and the provinces with respect to taxation.

How were the responsibilities divided? The exclusive powers and responsibilities of the provinces are largely enumerated in section 92. They cover taxation and borrowing, already mentioned, the management and sale of public lands belonging to the province and of the timber and wood thereon; public and reformatory prisons in and for the province, and so on. In order to shorten my remarks, I shall not take the time to read these in detail, since any hon. member can read them in section 92. To summarize the responsibilities of the provinces covered, among many other things, education and social services and caring for the natural resources of the country. I could go on and give the details, but they are there to be read by anyone and I am sure hon. members are more or less familiar with them.

What were the dominion's responsibilities? In addition to the enumerated powers set out in section 91, they were given the general power and responsibility to make laws for peace, order and good government. I can summarize the responsibilities of the dominion as set out in section 91 by saying that they had to do with questions of trade and commerce; banking; peace, order and good government; criminal law and so on. A number of other items are set out in detail.

There was joint or double jurisdiction in connection with agriculture and immigration. Section 93 makes education a provincial responsibility, subject to certain remedial powers reserved to the governor in council of Canada. As I said, section 95 makes agriculture and immigration a joint responsibility of the dominion and the provinces.

We are thus living to-day under a federal system, a system under which the powers of the two sections are set out specifically and where the responsibilities of each are also set out. The relationship thus set out in 1867 and the other clauses of the act constitute the constitution of Canada.

In the seventy-nine years since then, several things have been demonstrated with respect to the federal system of carrying on our affairs. One is that the advantages of confederation have been inequitably distributed. Confederation tended to centralize business and industry more or less in the centre of the nation. In addition, the national laws tended to benefit—I am referring now more particularly to the tariff—the industrial sections. The result was that industry in considerable part left the maritimes and developed in the central part of Canada. Agriculture developed in the western part of Canada. And without much in the way of industry the western provinces and British Columbia became largely exporting provinces.

Since that time, seventy-nine years ago, the responsibilities of the provinces in confederation have increased. At the beginnng there was no government aid to hospitals, no mothers' allowances, not many social services. Social services as we know them to-day were scarcely known seventy-nine years ago, They have multiplied many times since then. Public opinion has demanded them and conditions have made them possible. The responsibility for them fell largely upon the provinces.

But the only source of revenue of the provinces, direct taxation, was never enlarged, and the small subsidies granted to the provinces in the beginning increased only very slowly. The public services which fell upon the provinces were increasing two hundred, three hundred and four hundred per cent per capita, while the subsidies granted to the provinces in 1867

scarcely increased at all, and in the early years there was very little resort even to direct taxation.

As a result of these conditions—and it was emphasized particularly during the period of 1930's—certain sections of Canada could not provide a measure of public service on anything like a reasonable standard without imposing excessively heavy rates of taxation on the people of the provinces affected. Under those conditions there arose a demand upon the dominion government to sit in with the provinces and arrange either to take over more of the responsibilities which fell upon the provinces or to raise additional funds and give them to the provinces on the basis of fiscal need wherever it was needed. These demands, of course, had arisen many times before 1930 and adjustments had been made for the maritimes, the prairies, for British Columbia, in fact for all the provinces. But the question became a major problem in the depression of the thirties, and accordingly the dominion government was prevailed upon to appoint a royal commission, which later became known as the Rowell-Sirois commission, to inquire into dominion-provincial relations. The order in council appointing that commission, P.C. 1908, had the following four instructions for the commission:

(a) to examine the constitutional allocation of revenue sources and governmental burdens to the dominion and provincial governments, the past results of such allocation and its suitability to present conditions and the conditions that are likely to prevail in the future;

(b) to investigate the character and amount of taxes collected from the people of Canada, to consider these in the light of legal and constitutional limitations, and of financial and economic conditions, and to determine whether taxation as at present allocated and imposed is as equitable and as efficient as can be devised;

(c) to examine public expenditures and public debts in general, in order to determine whether the present division of the burden of government is equitable, and conducive to efficient administration, and to determine the ability of the dominion and provincial governments to discharge their governmental responsibilities within the framework of the present allocation of public functions and powers, or on the basis of some form of reallocation thereof;

(d) to investigate dominion subsidies and grants to provincial governments.

Let me refer to that commission briefly. Hearings commenced in Winnipeg in 1937 and continued for more than a year. Eighty-five hearings in all were held across Canada. The commission's report was presented in May, 1940, after two and a half years of study. In January, 1941, more than three years after the commission had started its work, the ten governments concerned met in Ottawa to consider the report. I do not need to remind the house that that conference failed to agree on what to do about the matter. Let me only say again that the commission took nearly three years to study the question, and the dominion government, so it is reported, spent something exceeding half a million dollars in providing for it. A voluminous report was presented by the commission. If I may say so, it is the best study that has ever been made of dominion-provincial relations since confederation. The report consists of three published volumes and many exhibits. They and the exhibits submitted in connection with the report are, in my judgment, the best statement of Canadian political and economic problems that has ever been published.

As I said, the conference of 1941 failed. It is no use now going into postmortems with respect to it. It is enough to say that three provinces disagreed to proceeding to consider the commission's report at that time, and the dominion government dropped the matter. Well, it was a problem that could not stay dropped. Before I go on to say what followed, let me indicate to the house what that commission recommended. The commission had made a more exhaustive study of dominion-provincial relations and of the political and economical problems of this country than had ever been made before. What were their findings? A brief summary of them will be found on pages 81 to 110 of book II of the commission's report.

Briefly, the dominion was to do four things: (1) Take over all provincial debts; (2) take over the responsibility for unemployment relief for employables; (3) pay a national adjustment grant to certain of the provinces as recommended by an advisory board; and (4) pay an abnormal emergency grant if made necessary by some abnormal conditions. Those were the duties which the commission would have imposed on the dominion government.

As an offset to that, the provinces were to cease to use the following three forms of taxation: personal income tax, taxes on corporations or corporate income, and succession duties.

As I have said, the dominion government called the provinces into conference in January, 1941. That conference blew up. Since then, there have been three different approaches to this problem. The first of these we now speak of as the wartime tax suspension agreement. It was worked out late in 1941 and agreed to by the different provinces in sessions of their legislatures, most of them early in 1942. The wartime tax suspension agreement was for the period of the war and for a time after the war, and terminates in some provinces this fall and in other provinces next spring.

The government was now faced with what to do when the war-time tax suspension agreements end. The government called another conference last August and presented another proposal. That proposal was modified in several minor respects at different times, and finally the conference on the government's proposals failed once more. Then, as the Minister of Finance said to-night, facing conditions as they are, the government decided to bring in still another proposal, which is the proposal now before us in the finance minister's budget. So that, following the failure of the Rowell-Sirois commission recommendations there has been a continued attack upon this question, and as well a progressive programme of mounting costs in the plans advanced.

Let me give the house a little idea of the different approaches made in these different periods. The implementing of the Rowell-Sirois commission recommendations would have cost the government $40 million. Hon. members may find that statement on page 109 of book II of the report. Forty million dollars to implement the Rowell-Sirois report. The war-time tax suspension agreements cost the dominion for the use of the personal and corporation taxes $86 million a year. Forty million dollars, eighty-six million dollars. The government's August proposal last year was estimated to cost the dominion as a rental payable to the provinces a minimum of $138 million, or, for the year 1947, $185 million. That proposal was amended at different times and, as finally presented in January of this year, it was estimated to cost the dominion $180 million as a minimum, and almost $200 million for 1947. Forty million dollars, eighty-six million dollars, one hundred and eighty-five million dollars, nearly two hundred million dollars.

And that is not all; that is only the contribution of the dominion to the provinces. In the proposals of last August there were not only financial and taxation suggestions made, but also a huge programme of social services and another programme of public investment; and it has been estimated by different persons that the total cost of all these would have been, not $40 million or $85 million, or $186 million, or $200 million, but $600 million.

And even that figure did not include the charges which would fall upon the provinces if these agreements were proceeded with, because there would have been other taxes falling upon them of—some of these things have to be an estimate—approximately $200 million. So that proposal meant, when eventually completed—it would not all be completed in a year—additional expenditures for this country, both dominion and provincial, amounting to $800 million a year. That is what the government's 1945-46 proposal with respect to finances and taxes, and the increased social security programme and that of public investment would have cost the people of Canada.

As I have said, the dominion proposals of last year contain three types of activities, finance and taxation, in which the dominion would take three taxes—income tax, corporation tax, succession duty—and give to the provinces, in their final recommendation for the year 1947, almost $200 million a year—$198 million. But, in addition to this, there is a huge programme of social security and also a programme of public investment aimed to try to prevent or to lessen a possible depression. As I said, the proposal was loaded with a social security and a public investment programme as well as financial and taxation features.

Prior to that, the dominion had put into effect a $240 million per annum family allowance programme. Aside from family allowances, in which the dominion admittedly invaded a field which was probably of provincial jurisdiction, the government's August, 1945, proposals so far as dominion expenditure are concerned would add up like this: rental payment for the three taxes, $198 million; old age pensions, cost to the dominion treasury, $217 million; health grants and health insurance, cost to dominion treasury, $163 million; or a total of $578 million. But from that would be deducted the amount estimated as the dominion contribution to old age pensions at present paid of $45 million, leaving these new proposals estimated to cost $533 million.

But, in addition to that $533 million, there were five items of unknown cost in the outline of the dominion proposals. Those five items were as follows: planning grants for public investment projects; timing grants for public investment projects; grants up to fifty per cent of the cost of national resources service, production and development; unemployment assistance equal to 85 per cent of unemployment insurance benefits; and the recognition of provincial priority with respect to taxation of mining and logging operations. The total programme would cost the dominion government on ordinary account between five and six hundred million dollars. The *Financial Post,* in its issue of August 11, 1945, estimated that the cost would be not less than $600 million.

The latest statement I have looked at with respect to the estimated cost is from the Minister of National Health and Welfare (Mr. Claxton) at page 234 in the *Hansard* proceedings of the dominion-provincial conference dated May 3 last. The minister in his state-

ment brought the total of enumerated dominion payments up to $527 million; and as I have said, he indicated that there were other items to be added to that figure; independent students have estimated that it would approximate $600 million.

What of the expenditures which this programme would impose upon the provinces? The premiers would have to finance their share of the dominion's proposed health services amounting to over $100 million. There would be additional commitments for a programme of greatly increased expenditures for hospitals, nursing centres and large facilities for the training of medical and nursing personnel. The provinces and municipalities would have to pay eighty per cent of the cost of the dominion's public investment project, the dominion—except in the case of limited classes of work—paying only twenty per cent. If the dominion were serious in putting forward these public investment proposals, it is not unreasonable to assume that they would involve an additional expenditure of between $200 million and $300 million on the part of the provinces. This means a total bill that would be imposed on the taxpayers running to between $700 million and $900 million, or let us say, $800 million, depending upon what degree of seriousness can be attached to the dominion's public investment proposals and how rapidly the programme might be proceeded with.

The dominion was asked how its social security proposals of 1945 were to be financed. It was supposed to be exploring with the provinces the possibilities of financing its share of the cost of the social security programme by some special means other than that of the general tax system now in force in Canada. Later, it became evident that the dominion had fairly clear views on the matter, as far as raising money was concerned—much clearer than were their views as to the projects which the governments were invited to underwrite. In the report of August 29, 1945, of the dominion-provincial proceedings—at pages 9 and 10, will be found this statement by the Prime Minister:

> It is intended to meet a part of the dominion's share of the cost of the broad extension of social security, included in the dominion proposals by means of direct personal contributions.

So that what is contemplated is some other tax in addition to the taxes which we already have. The dominion wants to finance a substantial part of its social security programme by means of an additional three to five per cent tax on all personal incomes without any exception whatever. True, the rate was not definitely arrived at, but ministers—notably the Minister of National Health and Welfare—were quoting examples of New Zealand and Australia where the rates are 5 and 7½ per cent on income respectively.

The dominion also proposed that the provinces, to meet their share of the cost of this programme, should levy an individual tax or registration fee or, as some call it, a poll tax on every person of the age of sixteen or over. One province computed that such a levy would amount to $12 per head. Everyone knows that health services cost something, whether they are paid for publicly or privately; and while the government is talking about tax reduction through one side of its month, through the other side it talks about huge projects that mean vastly increased expenditures and taxes.

Let us take the example of a married man with three children, sixteen and over. That family, on the basis of $12 per head registration fee, would pay $60. If that man's income were $2,000 and the dominion rate were five per cent, they would pay another $100, or $160 would come out of that family to finance the dominion health programme—and that is in addition to the present taxation.

What the government did in August, 1945, what it has been doing for some months since, is trying to use the taxpayers' money to bribe and bludgeon the provinces into the surrender of their constitutional rights. It was not the objects sought that were bad; but the dominion's means and methods of trying to accomplish them were, I think, reprehensible. By offering large hand-outs without being too specific about where they were coming from, or the additional taxes they would require, and by vague general assertions that the dominion could make taxes less painful than the provinces, they sought to take from the provinces their great sources of taxation. And, as if it were an afterthought, they added, in effect, "You will finance your share of health commitments by individual taxes or registration fees or a poll tax."

At this time, Mr. Speaker, I should like to say that it was my privilege to attend the closing conference in April or May of this year, and as a witness to that conference I wish to pay a tribute to all those who took part. I believe they were good Canadians. The premiers of the provinces, the representatives of the dominion government, all knew that they were facing heavy tasks. They all knew that they were facing serious problems. They all knew what their various problems were in the different sections of Canada and they stated their positions as well as they knew how.

Personally I was proud of those men, proud to be associated with them as a Canadian. They did not all agree. Some provinces felt that there were others more well to do. Those who knew they were in need did not have any difficulty in stating that they would like to get all they could. Those premiers who represented provinces which perhaps in the past have not been so much in need are still the premiers of their provinces. All those men, good Canadians as they were, were still the premiers of their provinces. The dominion officials were here trying to act for the whole country. I repeat, I was proud of those men as I listened to their deliberations. Naturally I was disappointed when the conference failed, but I do not propose now to attach blame to anyone. I think the groundwork of the conference might have been better laid. You cannot bring together men with different points of view in a nation like this and ask them to agree on complicated questions of this kind even after nine months. Why, even the Sirois commission took three years to study the questions submitted to them.

I do not propose to go into a postmortem. What this parliament has to do is to look at the situation as it is now and determine what is best for Canada. The conference failed. As the Minister of Finance has said, he was then faced with the preparation of his budget, and the provinces also were faced with the preparation of their budgets. And so on June 27 the Minister of Finance brought down his budget and submitted this new watered-down proposal. In it he is going to negotiate with each province individually, and he is going to offer the same total amount to the provinces of Canada as he did last summer and winter —$198 million, for 1947, on the basis of $15 a head. On the promise of $15 a head the government asks the provinces to give up to the dominion the sole right to the income tax, corporation tax and succession duties for the next five years, not three years as in the August, 1945, proposal; but the government is leaving out of this proposal the other feature it advanced last summer for social security and public investment. This proposal, which will require the dominion government to pay to the provinces $198 million next year, leaves out the other huge expenditures under the large programmes brought forward last fall. There is nothing in it now with respect to that social security programme—increased old age pensions, health insurance, unemployment assistance and so on—and nothing for public investment.

This means the abandonment, at least for the time being, by the dominion of that social security programme and the public investment programme. A very proper question at this time is, why does the dominion now abandon its social security and public investment programmes? If they were good programmes they should be put into effect. If they were not good programmes the dominion should frankly say so, instead of trying to make scapegoats of the provinces.

In his budget speech the Minister of Finance indicated a loss in revenue through tax reductions amounting to $266,000,000, to be effective next year. The government is now bemoaning the fact that it cannot make effective tax reductions because of the failure to reach agreement with the provinces. In that respect it is trying to ride two horses going in different directions. One of the reasons put forward in support of its proposals was that they would result in reduced taxation. Think of a government coming forward with a programme the burden of which, through the dominion and provincial taxes, would amount to $800,000,000 a year and then saying, "Put this into effect and we will be able to reduce taxation more than if it is not put into effect."

In the conference proceedings for Monday, April 29, the Prime Minister is quoted as having said:

> In respect to the personal income tax, as now levied, the government is prepared to say that once the dominion proposals are accepted, and the risk of having dominion policies nullified by provincial policies having contrary economic effects is thereby avoided, the government intends to make further reductions in the personal income tax.

Think of it; that proposal, involving as I have shown a burden on the Canadian people when it is fully in effect of $800,000,000 extra, and the government then saying, in effect, "If you sign that we will be able to reduce taxes more than if you do not sign."

Continuing, the Prime Minister said:

> In the same circumstances the government also intends to reduce the element of double taxation of corporate income with its tendency to discourage risk-taking enterprise.

As a matter of fact, in the contracts entered into in 1942 with the provinces the dominion government was required to reduce the corporation and income taxes; it had no choice if it was to carry out the terms of the agreement. The Prime Minister made that statement in face of the fact that if the government's programme were put into effect additional expenditures would be imposed upon the tax payers amounting to some $600,000,000 in dominion taxes and $200,000,000 in provincial taxes, or a total of approximately

$800,000,000; that is, if and when the full programme were put into effect.

The government laments that without the programme we can have tax reductions of only $266,000,000. What, I ask, would the tax reductions be with the programme in effect? Is the money coming out of a magic well? If the programme were put fully into effect, instead of a reduction in taxes of $266,000,000 in 1947 we might look for an increase of at least that amount in dominion taxation, together with an increase of a couple of hundred million dollars in provincial taxation in the near future.

According to the conference proceedings for May 3, at pages 222 and 235, the premier of Nova Scotia made an answer to this attempt to blame the provinces for the likely failure of the dominion to make substantial reductions in taxes. He said:

> I should like to point out that there is more than one way of balancing a budget. There is more than one way of lowering income tax. Much has been made of that at this conference. That statement has been repeated again and again that if the income tax is to be lowered then the dominion proposals themselves—that is the effect of the statement at any rate—must be accepted. And the implication—I do not say that this is the implication desired by the federal minister—which will spread throughout Canada is that if this conference fails and income tax is not reduced, the responsibility will rest on those nine wicked men from the provinces who came here and refused to enter into an agreement.

That statement was made by the Premier of Nova Scotia, a former colleague of many hon. gentlemen opposite, who sat right over there and who is familiar not only with dominion problems but with provincial problems as well.

Mr. MACKENZIE: Would my hon. friend permit me to intervene on a matter of procedure?

Mr. BRACKEN: Certainly.

Mr. MACKENZIE: I could not talk to the hon. gentleman personally because he was on his feet, but I consulted the hon. member for Peel (Mr. Graydon), the hon. member for Rosetown-Biggar (Mr. Coldwell) and the hon. member for Peace River (Mr. Low) as to sitting after eleven o'clock, and would like to move:

> That the house be not adjourned at eleven o'clock p.m. this day, and that the provisions of standing order 7 be suspended in relation thereto.

Mr. COLDWELL: When we agreed to this half an hour ago, I understood that the vote would be taken at eleven o'clock. I heard the leader of the opposition (Mr. Bracken) say he was covering two subjects to-night, dominion-provincial relations and the cooperatives. He has not yet concluded that part of his address dealing with dominion-provincial relations; therefore I am going to oppose extension of the time beyond eleven o'clock.

Mr. MACKENZIE: Very well.

Mr. BRACKEN: It is a matter of no importance to me, but I gather that if anyone objects to the suggestion offered by the minister, we have no choice but to adjourn. I might be finished in twenty minutes, but that is neither here nor there. Therefore I move the adjournment of the debate.

On motion of Mr. Bracken the debate was adjourned.

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

Friday, July 19, 1946

The house met at three o'clock.

REPORTS OF COMMITTEES

Fifth report of the standing committee on banking and commerce.—Mr. Cleaver.

Twentieth and twenty-first reports of standing committee on veterans affairs.—Mr. Croll (for Mr. Tucker).

PRIVILEGE

MR. FRASER—OMISSION OF QUESTIONS SUBMITTED FOR ORDER PAPER

Mr. G. K. FRASER (Peterborough West): Mr. Speaker, I rise to a question of privilege. Yesterday afternoon at the hour of 3.30 I submitted in the usual way eight questions for the order paper, but to-day, in the *Votes and Proceedings* dated Thursday, July 18, 1946, these questions are not listed. I now ask for a full explanation, coupled with the request that an order do issue that these eight questions be listed in *Votes and Proceedings* of to-day as being questions for the order paper.

Mr. SPEAKER: I shall take note of the observations made by the hon. member.

TRADE AGREEMENTS

CANADA-MEXICO AND CANADA-COLOMBIA

Right Hon. L. S. ST. LAURENT (Acting Prime Minister): Mr. Speaker, I beg leave to table copies in English and French of a trade agreement between Canada and Mexico, signed at Mexico City on February 8, 1946, treaty series 1946, No. 4; also a trade agreement between Canada and Colombia signed at Bogota on February 20, 1946, treaty series 1946, No. 7.

JAPANESE

PETITION FOR LEGISLATION PROVIDING FOR DEPORTATION FROM CANADA

Mr. J. L. GIBSON (Comox-Alberni): Mr. Speaker, I beg leave to lay on the table of the house a petition signed by approximately 8,000 residents of British Columbia, humbly praying that this honourable house may be pleased to enact such measures as may be necessary to ensure that all people of Japanese descent be deported from Canada at the close of the present war, and that provisions for their acceptance by Japan be embodied in the armistice or peace terms.

BUSINESS OF THE HOUSE

INQUIRY AS TO QUESTIONS DROPPED FROM ORDER PAPER

On the orders of the day:

Mr. M. J. COLDWELL (Rosetown-Biggar): May I direct your attention again, Mr. Speaker, to the matter of questions? Two questions that were permitted to stand yesterday have been dropped and do not appear on to-day's order paper. I think this will require some explanation to the house.

Mr. SPEAKER: I have noted the observation made by the hon. member.

Mr. STIRLING: May I ask the minister who is leading the house if he will be good enough to explain by what order or under what regulations a question which stood as No. 1 on the order paper for yesterday has been removed from the order paper of to-day? It was a question which had to do with War Assets Corporation.

Mr. ST. LAURENT: I am not in a position to give an answer to the hon. member. The house is master of its own proceedings. It is not the government that makes up the order paper. I do not know the import of the hon. gentleman's question, but I understand it concerns a question which was on the order paper and which has been removed. It has certainly not been removed by any order of the government.

Mr. STIRLING: May I address a question to Your Honour as the chief officer of the house? By whose orders has a question been removed from its place on the order paper?

Mr. SPEAKER: I have noted the observation made by the hon. gentleman.

Mr. COLDWELL: Will you kindly look over all the questions, Mr. Speaker? It seems to me that there are at least two questions that were not answered yesterday that do not appear to-day. One was in connection with radio, asked by the hon. member for Moose Jaw (Mr. Thatcher), and another was asked by the hon. member for Yorkton (Mr. Castleden).

Mr. HAZEN: Mr. Speaker, may I ask a question for you to take under consideration? It is this: Can a question be struck from the order paper in consequence of a statement or suggestion made by the Speaker that does not amount to a ruling?

LEGISLATIVE PROGRAMME FOR THE SESSION—SUGGESTED POSTPONEMENT OF CERTAIN MEASURES

On the orders of the day:

Mr. E. G. HANSELL (Macleod): I should like to bring up a matter which I think affects all members of the house. I notice that there are thirty-one items on the order paper which still have to be passed, in addition to nearly all the estimates. May I direct a question to the leader of the house?—he is not in his seat, but surely some one will convey my message to him. Would not the government consider leaving over until next session some of the legislation that is now on the order paper? There are some measures which are not particularly important at this particular time of the session. Could not the government revise its legislative programme and leave some of the less important measures over to the next session?

Right Hon. L. S. ST. LAURENT (Minister of Justice): I can give the hon. member assurance that the object he has in view is under constant consideration. It is not intended to ask the house to deal with anything which could be postponed until next session without injury to the public interest.

BEEF

REVISION OF SCHEDULE OF PRICES AND GRADING

On the orders of the day:

Mr. R. W. MAYHEW (Parliamentary Assistant to the Minister of Finance): The hon. member for Haldimand (Mr. Senn) asked the Minister of Finance (Mr. Ilsley) the following question:

> The daily newspapers of yesterday carried an announcement that a revision of the schedule of beef prices and grading allows an increase in the wholesale ceiling prices on red and blue brand beef, effective July 22. Has any provision been made to allow those with slaughter permits where no official grading is possible to enjoy these increases in price?

In answer to the hon. gentleman I would say that the wholesale price increases on beef authorized to go into effect on July 22 apply to red and blue branded beef in all zones,

and also apply to commercial quality beef in all eastern zones. The special position of red and blue branded beef has been recognized both in the zone price ceilings established by the wartime prices and trade board and in the support prices established by the meat board. Apart from the authorized increases in wholesale prices for commercial beef in eastern Canada, no provision has been made to enable slaughter permit holders, where official grading is not possible, to take advantage of the authorized increases in wholesale prices of red and blue brand beef.

METEOROLOGICAL SERVICES

ARCTIC REGIONS—QUESTION OF ESTABLISHING WEATHER STATION ON MELVILLE ISLAND

On the orders of the day:

Mr. GORDON GRAYDON (Peel): I should like to ask a question of the Acting Secretary of State for External Affairs. In view of certain preliminary information which has already reached the public relating to the alleged request of the United States government that Canada establish a metorological station on Melville island, is the Acting Secretary of State for External Affairs in a position to make a statement to the house respecting the matter?

Right Hon. L. S. ST. LAURENT (Acting Secretary of State for External Affairs): I thank the hon. member for letting me know in advance of his intention to ask this question. There have been discussions between the United States and Canadian authorities concerning the expansion of meteorological services in Arctic regions, and the suggestion was made that a weatehr station might be experimentally established as a cooperative venture in the region of Melville island in the Canadian Arctic. The proposal was that this should be a small civilian station. The government has not rejected this proposal, but has decided to defer its decision until later in the year.

Mr. COLDWELL: Is the minister aware that advertisements have already been authorized by the United States government asking for applications to work for tne United States in the Arctic regions of Canada? I have a copy of the advertisement upstairs.

Mr. ST. LAURENT: We have no official information about that, but it is quite possible there may have been some recruiting of personnel, because the matter of experimental work in the northern regions is one that has been under discussion for some time.

[Mr. Mayhew.]

LABOUR CONDITIONS

BRITISH COLUMBIA HARD ROCK MINERS

On the orders of the day:

Mr. WILLIAM IRVINE (Cariboo): I should like ta ask the Minister of Labour a question with respect to the miners' strike in British Columbia, based on a message which I have received from the mine union in Wells. Is the minister aware that the negotiations now being carried on are on a local basis and therefore unsatisfactory? Will he consider instructing the commissioner to endeavour to have the negotiations carried on on a provincial basis?

Hon. HUMPHREY MITCHELL (Minister of Labour): In the first place, the Minister of Labour does not instruct commissioners. I think that would be a bad procedure to adopt, because it cuts both ways. If the employers came to the Minister of Labour and asked him to instruct the commissioner there would be criticism from the other side. If I were to instruct the commissioner because of a request made by the miners, naturally there would be criticism from the opposite side. Frankly I do not know the import of the question, but I believe the hon. member is referring to negotiations on an industry wide basis.

Mr. IRVINE: Quite correct.

Mr. MITCHELL: I cannot instruct the commissioner. He is trying to conciliate a dispute, and I am sure we all hope he will be successful.

FLOUR

SHORTAGE IN VICTORIA CONSTITUENCY—EFFECT ON TOURIST TRADE

On the orders of the day:

Mr. C. W. HODGSON (Victoria, Ont.): Mr. Speaker, I should like to direct a question to the Minister of Finance under whose jurisdiction the wartime prices and trade board operate. In view of the fact that in my constituency of Victoria, Ontario, there are estimated to be over 40,000 tourists at the present time and we have had no flour for bread in that area for over six days, would the minister investigate the situation at once to see if something cannot be done? As the minister is not in his seat perhaps his assistant could reply, because I want something done about the matter this afternoon.

Mr. R. W. MAYHEW (Parliamentary Assistant to the Minister of Finance): If the hon. member will furnish us with a list of the bakers who are without flour, we will do

our best to see that they are supplied, provided that they have not already used up their quota of flour. The quota is ten per cent less than they had last year. So far the average figures for Canada as a whole show that the bakers have gone over their normal quota. If the hon. gentleman will let us have a list of the bakers who are making this complaint we will see what can be done.

Mr. HODGSON: Is the parliamentary assistant going to look after the tourist industry in this country? I have many telegrams that I shall be glad to show him this afternoon.

FOOD AND DRUGS ACT

LIMITATIONS UPON IMPORTATION AND SALE TO GENERAL PUBLIC

Hon. BROOKE CLAXTON (Minister of National Health and Welfare) moved the second reading of bill No. 252, to amend the Food and Drugs Act.

Mr. G. RUSSELL BOUCHER (Carleton): Mr. Speaker, I do not like to delay the house at this late stage to talk about something that is diseased or putrid or rotten, but those words are within the nomenclature of the bill. I am rising to question the competency of the federal parliament to pass this bill. We all know that under section 91 of the British North America Act certain powers are given to the dominion parliament to deal specifically with matters apart from those given to the provinces under section 92. This bill, from the very best of motives, may seek to make a meritorious change in the existing law, but before making this amendment, which does go a long way, we should see whether this parliament has power to give effect to it. I have had the opportunity of referring to a number of decisions, and I think before we pass this bill we should have an opinion from the Department of Justice on the question of jurisdiction that it involves.

Briefly it appears to me that the only way in which the dominion parliament can have competence in a matter of this kind having to do with civil rights is by saying that this is not one of the specific powers delegated to the provinces by section 92 but is a specific power given by section 91 to the dominion parliament or a general power not given to the provinces by section 92.

In the case of Toronto Electric Commission v. Snider, 1925, 2 D.L.R. page 16, their lordships held that in approaching problems of jurisdiction in matters of this kind we should ask ourselves: (1) does the subject matter fall within section 92; and (2) does the subject matter fall within section 91 of the British North America Act? If it falls within neither of the enumerated heads, then the dominion has power under the general wording of section 91.

In the case of the Attorney General for Canada v. the Attorney General for Alberta, their lordships gave this decision:

> It is their lordships' opinion, now clear, that excepting so far as the power can be involved in aid of capacity conferred independently under other words of section 91, the power to regulate trade and commerce cannot be relied upon as enabling the dominion parliament to regulate civil rights in the provinces.

The same decision has been given in a number of other cases decided not only by the courts of Canada but in some cases by the privy council, and I mention specifically the famous Wharton case, 1914, 18 D.L.R., page 335; Rex v. Collins, 1926, 4 D.L.R., page 548, and King v. Eastern Terminal Elevator Company, 1925, 5 D.L.R., page 1. In these cases questions of this kind came specifically before the court, and it was held that as civil rights were specifically assigned to the provinces to deal with, the power of sale falls within that zone.

This bill seems to say that no one can sell or offer for sale certain commodities. It goes further than that and restricts it to food or drugs. In order to make this act effective I think the question of jurisdiction should be examined very carefully. In my opinion provincial enactments are necessary to give validity to legislation of this kind. By the act very wide power is given to the dominion to interfere with the sale of what are called drugs, and perhaps appliances, foods or materials. The meaning of "drugs" under this amendment will be greatly extended. Explanatory note 1 says:

> It is therefore considered desirable that such authority be given in the interest of the public. Any regulations made under this authority will, for the most part, deal with newly-discovered drugs.

That protection may be required, but I see nothing in the bill to restrict its operation to newly discovered drugs. It goes much beyond that. I would therefore ask the minister to indicate at least the scope of the amended act and the opinion of the Department of Justice as to the competency of this parliament to pass such an act, and state whether or not to infringe upon the rights of the provinces given under the British North America Act. We should be very careful about questions of jurisdiction.

Hon. BROOKE CLAXTON (Minister of National Health and Welfare): Mr. Speaker, this bill, which comes to us from the senate, has four sections. It makes what are intended

to be technical and non-controversial amendments in the Food and Drugs Act so as to permit of its being administered and applied to the greater advantage of the people of Canada. The remarks of the hon. member for Carleton (Mr. Boucher) relate I think exclusively to the provisions of section 1 of the bill, under which the governor in council may have the power to pass regulations "defining the conditions of sale of any drug". The Department of Justice has been asked for an opinion on the validity of this legislation and has expressed the view that it is constitutional.

The Food and Drugs Act has a long ancestry. It dates back to the Adulteration Act of 1875, which was incorporated in the new Food and Drugs Act of 1920. The validity of the act and of the regulations passed under it was only challenged in one case as far as I know, that of Standard Sausage Company v. Lee, in which the British Columbia court of appeal unanimously affirmed the validity of the legislation.

The position taken by the hon. member for Carleton is, I understand, based on the proposed "defining the conditions of sale of any drug" being too wide and unrestricted. If those words were taken without reference to the general scope of the act it might well be feared that the federal government would seek to regulate conditions of sale of drugs in a way which related to property and civil rights and not to any of the powers of the federal government. We have considered that, and while it is never the intention to do anything beyond the general scope of this act or of the federal government—that of course is unquestioned—we have thought that in consequence of representations made on behalf of the pharmaceutical druggists of Canada it might be a good thing to limit this power, since it probably goes beyond anything which we might ever expect to exercise. In consequence I propose, when we reach the committee stage, to ask one of my colleagues to add at the end of paragraph (kk) the words "in the interest and for the protection of the public health", so as to make it quite clear that this additional power to make regulations would be definitely limited to the general scope of the act; that is, to regulations "defining the conditions of sale of any drugs in the interest and for the protection of the public health". In other words the Department of National Health and Welfare, as part of the duty conferred upon it by this measure, seeks to carry out the provisions of the act in the interest of the health and welfare of the people of Canada but not from the point of view of any commercial interest. Whether or not that could be done by the federal government does not enter into consideration here; that is not the intention; and in order to show more clearly what is the intention than was done in the bill which was put before the house I propose to ask a colleague when we reach the committee stage to move the amendment I have just read to the house.

I may say also that after the representations were made by representatives of the pharmaceutical trade we had a discussion with them, and I communicated the text of this amendment to them and they felt that that would take care of the situation.

Mr. T. L. CHURCH (Broadview): Mr. Speaker, this is a very important bill, and I suggest to the minister that there are three or four matters he might consider in relation to it. We have a committee of this house known as the committee on pensions and health. How does it come about that, on the eighty-fourth day of this session, this bill has not been before that committee? When the bill was introduced in another place there was a two-line debate; it went to a committee on second reading without any debate, nor was there any debate on third reading; then it came here.

You know, Mr. Speaker, that after every great war there is a deluge of medicines advertised on the market. The principles of this bill are contained in two sentences of the explanatory notes, which begin:

> This is to permit of regulations being made for the protection of the pubic respecting the sale of any drug.

Nowadays most of the city papers are filled with advertisements of drugs, patent medicines, salves, and so on, any one of which is supposed to be a cure for ten or fifteen different diseases which have baffled the medical profession for many years. You can walk into a grocery store and buy them; you can buy them in departmental stores and elsewhere.

In 1927 the general Food and Drugs Act now to be amended evidently contained sufficient protection for the public, but, to quote the notes:

> The present act limits such power—
>
> That is, to sell drugs.
>
> —to a substance which may be injurious to health.

One of the clauses refers to a commodity which contains rotten or diseased animal or vegetable substance. The hon. member for Temiscouata (Mr. Pouliot) complained for years about drugs in liquid form—gin—which contain injurious ingredients, and on one occasion, discussing the matter with the then

minister of health (Mr. Mackenzie) as an amateur to an expert he said he had had a chemical analysis made and it was not Holland gin and not gin at all.

Since the close of the war the act as it stands does not provide sufficient protection—

—inasmuch as new drugs are being discovered which, until their full effect is known over a period of time, may . . . prove to be injurious to health.

Now, you have to read, with the sections of the act which the minister is amending, the regulations of the wartime prices and trade board. They passed absurd regulations which every drug store is compelled to carry out. What are those regulations? Well, if a medical doctor gives a man, be he rich or poor, a prescription, it can be filled only once; he has to go back to the medical man to get another order before the druggist will fill it. Sometimes these stores are closed at the week-end, and it reacts to the inconvenience of the public, particularly to people of the poorer classes in the cities and towns when a drug store is closed.

I cannot understand the present health act procedure. We have a committee on health; let us have a real committee on health, and do something, not come down to the house on the eighty-fourth day of the session saying: "Here is a bill; pass it." This bill should have been properly considered by our health committee. May I ask the minister whether the representatives of the drug interests or of the college of pharmacy were before the committee in the other place?—because certainly they have had no opportunity to examine this bill.

Mind you, I am not opposing the bill. I believe the restrictions to-day are not what they should be. Drugs are being sold as such which are not drugs at all. Various mixtures and chemical compounds have been prepared and advertised in the newspapers, in three or four-line advertisements, "Communicate by letter or telephone with so and so, who has got a cure." We need an act which is a real health act to protect the public from all this quackery.

Not only that; a lot of things have been placed on the market which are poisoning the people—all kinds of moonshine. From health officers and from the college of physicians and others complaints have come about the loose way in which this particular problem is being handled. The time has come for a drastic national health reform, so that the consumer public will be protected, so that the people will know what are proper or at least non-injurious remedies. Some companies in the olden days used to get out almanacs at Christmas time of drugs which were a cure for everything. If the Food and Drugs Act is to be properly administered there should be an attempt to deal with some of the offenders, and have an examination of some of the awful stuff people take which one hears about in the magistrates' and coroners' courts. The public are complaining about the different poisons which are put out—"hair tonics" and all that sort of thing; you can buy them right on the market. What is the department doing about it? The Department of Justice will not do anything. They refer complaints to the attorneys general of the provinces, and all they do is to refer it to the city and town and county police.

We need a reformation regarding the use of some of these drugs, the things which some poor people are drinking all day long, poisoning themselves. In fact many small children have been poisoned, because when the mothers and fathers are out some of them go to the cupboard and take a pill or something else of this kind.

Not only that, but I wish to say that if we are to have a department let us have a real one, not one which can do nothing more than say, on the eighty-fourth day of the session, "Pass this bill or leave it." Mind you, I believe the department may do quite a lot in protecting the consumer public. But there is no doubt that we should start on legislation like this early in the session. There are other measures which were placed on the order paper only yesterday. There are a large number of bills as to which we should have the opportunity of consulting professional men, legal men, physicians, dentists, veterinarians, and the college of pharmacy, but there is no opportunity of doing so here in the middle of July, when everybody is away.

So far as the principle of the bill is concerned I support it. Something must be done to curb the sale of the poisons which are now being sold, without proper control—I will not say in the drug stores, because the proprietors are good professional men who alike in peace and war have done laborious and efficient work—I do not know what we would have done without them—but considerable sales are made in some small corner general stores. Most of these remedies advertise in the papers, and you can get a bottle or two almost for the asking—three bottles for 50 cents while one bottle is "worth" 35 cents.

As I have said, the hon. member for Temiscouata started this discussion the year before last, to bring the Food and Drugs Act up to date, but nothing has been done to protect the public. I do hope we shall have drastic reform in this particular branch of health protection, so that the consumer public will be protected,

while legitimate drug stores are free dfrom some of Donald Gordon's regulations. One is that a physician cannot fill a prescription available for more than one order; he has to write a new prescription. I tell you, the public are sick and tired of that kind of bureaucracy, a year after the war has ended.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Macdonald (Brantford City) in the chair.

On section 1.

Mr. CLAXTON: The main purpose that we have immediately in mind in this section is to regulate the sale of penicillin. That is already done in the United States and in the United Kingdom. The reason for seeking that power is that we have not the power under existing legislation and it is considered desirable by a large proportion of the medical profession, as well as by representatives of the provinces and officers of the department, that for some time at least penicillin should be sold only on a doctor's prescription.

Penicillin, so far as we know, is not injurious in itself, but it can be used in a way which may be injurious to the user if not used under a doctor's control. The reason is this: It is a very powerful drug; it is popularly described as a miracle worker, as indeed it is, when properly used. But some people have the idea that if they go to a druggist and buy some penicillin they are almost certain to be cured of any one of a number of diseases, including particularly gonorrhea and syphilis. Penicillin, used in the right doses and in the right way and at the right time, is a cure for gonorrhea and has a powerful effect on syphilis; but used in the wrong doses or in the wrong way or at the wrong time, it not only does not cure the disease but may itself set up immunity against the proper used of penicillin. In other words, the improper use of penicillin may not only fail to effect a cure but may prevent the proper use of the drug as a means of effecting the cure.

There are a number of drugs that work in that way and penicillin is said to be one of them. Further, the use of penicillin without proper advice may lead to certain germs of infection being killed by bringing into operation others which have been kept under control by the germs which are killed off. That has been pointed out in medical journals and in medical experience, and for these reasons we believe it is necessary for the time being at least to regulate penicillin and require that it be sold under doctor's prescription.

It is not the policy of the act to name single drugs, and we have not named penicillin or limited this power to pencillin because of the fact that exactly the same considerations apply to some of the other new drugs and also to streptomycin, and other drugs that may be brought into use from day to day, since the development of these new drugs is exceedingly rapid.

For that reason we have sought this power, which is along the lines of similar powers exercised in the United States and the United Kingdom. However, in order to limit it in accordance with the suggestion of the representatives of the trade, I am going to ask my colleague the Secretary of State to move an amendment to section 1 of the bill.

Mr. MARTIN: I move that section 1 of bill 252, letter X-9 of the Senate, being an act to amend the Food and Drugs Act, be amended by adding at the end thereof, "in the interest and for the protection of the public."

Mr. COLDWELL: What control does the government exercise over the manufacture and distribution of penicillin? I am in agreement with giving the government control of these new drugs. It is essential, and the minister is quite right that the unguided use of penicillin may lead to some other difficulties after the drug has been used. People may use it to heal a cut or a wound or to get rid of a sore and then find that a disagreeable rash develops. I have knowledge of at least two instances in which this has happened. A physician has prescribed penicillin for the healing of a sore or for some other trouble of the kind, and afterwards there has developed a serious rash. I agree that the drug should be controlled. Many drugs are very simple things. They do not entail a great deal of expense in the manufacture and yet when people have to get them on a doctor's prescription they often find that apart from the cost of the prescription—no one objects to that, because the doctor usually does more than write a prescription—they are very expensive. Sometimes these things are patented; I do not know whether penicillin is patented or not. I see the minister shakes his head; I am glad to learn that it is not. What control is exercised in the manufacture and the distribution in order that the public may not be victimized by the price charged for this efficient drug?

Mr. CLAXTON: The question of price does not come under the control of this department, but under the wartime prices and trade board which has exercised close control over the price of drugs. However, I do know something about the situation and I shall give the hon. member the information as well as I can. The function of this department with

regard to drugs is to control their potency and purity. We have standards, usually international standards, which are enforced rigorously through sampling drugs through purchase at retail as well as through obtaining them from the manufacturers and wholesalers. This is done by spot sampling as well as by taking whole shipments of certain drugs. They are analysed by the department's officials, and if anything is wrong with them or if they do not conform with the pharmacopoeia requirements, they will be rejected and appropriate action will be taken. Therefore we do control the purity and potency of drugs. We generally get splendid cooperation in that respect from the manufacturers and the trade.

Mr. HACKETT: When the minister says that the department controls, does he mean that it prescribes what shall be the potency?

Mr. CLAXTON: Yes.

Mr. HACKETT: Or that it insists that the drug shall be accurately described?

Mr. CLAXTON: Both. The potency must be as laid down in the international standard pharmacopoeia, or as worked out by the department, and then the drug itself must conform to that standard and be pure within the standard laid down. We also control the labelling of drugs so as to ensure that where it is desirable that the content of the drug be accurately described, it is accurately set out in accordance with the regulations.

With regard to penicillin, this drug, as everyone knows, came into existence in consequence of the work of a great number of scientists and others, of whom the principal was Sir Alexander Fleming. It came into commercial production early in the war, in the United States first. In Canada it was and still is made, I understand, in three factories. The first is the Connaught Laboratories in Toronto. This institution is, as I recall it, the joint enterprise of the university of Toronto and the Ontario school of hygiene, in which the province of Ontario has an active interest. There the money necessary to put up the plant was expended by the federal government. The penicillin itself is produced at cost and was distributed at first for the use of the armed forces, and then more generally. The second plant in which it was made in Canada was that of Ayerst, McKenna and Harrison, at St. Laurent, near Montreal, where the federal government paid for the cost of the building and the company made the drug. The third place for Merck Incorporated, in their plant near Montreal. There the drug was made without any government assistance. At first the price was quite high, owing to the fact that while it is not patented, it is technically a very difficult thing to make, and the techniques of making it had to be worked out. That was gradually done and the price was rapidly brought down until now it is approximately the same in the United States and Canada. Perhaps owing to the change in exchange it may be lower in Canada. I believe it is a reasonable price for the product in present circumstances.

Mr. BOUCHER: Speaking to this amendment I wonder whether we should not commend the minister for it, but I object to the fact that it embraces much more than drugs. According to the minister's statement his object is to restrict and control the sale of certain drugs, or many drugs, but the amendment goes beyond drugs and includes foods and appliances. Apparently some protection should be given the public in that regard, but it seems to me that this section does not strike at the root of the trouble. If paragraph (KK) were worded to restrict the salability of drugs, appliances, foods and so on, a much better vehicle would be used to achieve the object the minister has in mind, and which I commend. But this amendment goes much farther than that. It gives power to define the conditions of sale of any drug. Then it goes so far as to say that any drug shall be considered to include foods and appliances. Under the amendment we are giving the department power to make regulations far beyond the purpose of the amendment. The amendment makes the general act deal with specific matters. I think the powers of this amendment go beyond what are necessary.

The constitutionality of the amendment could be raised here. I do not think the amendment proposed by the minister makes the act any more constitutional than it was previously. It still deals with civil rights, even though it purports to relate only to national health. Instead of tacking it on to the classification of trade and commerce under the British North America Act it is being tacked on to the rights of national health. You are going from one specific power given to the Dominion of Canada under the British North America Act to another. I do not think it achieves the aim behind the amendment at all. The bill should be referred to a committee which will not only appreciate the minister's intentions, aims and objects, but also the necessity of restricting the amendment to its intention. If we do that we shall be taking a step that will be advantageous instead of dangerous. I urge the minister to give serious consideration to this aspect of the

situation. I know every hon. member of the committee feels that the public needs and deserves the protection that the minister wishes to give, but it does seem ridiculous to ask parliament to pass a bill of the scope and authority of this one, simply because of the explanatory note which says:

> Any regulations made under this authority will, for the most part, deal with newly-discovered drugs.

There are many old drugs, and the fact that this explanation is given in the explanatory note does not in any way limit the scope of its operation. I earnestly appeal to the minister not to rush this bill through. I do not think we have to pass it to-day, and I would ask that it be referred to a committee on health matters which would give mature and extensive consideration to the object the minister has in mind.

Mr. CLAXTON: I can assure the hon. member that I have given careful attention to his remarks, and to this point, as have the officers concerned. As I understand it, we cannot be very far apart. If I took his words down correctly—and I was careful in doing so—he said that this power should be limited. These are his words: "by way of restricting salability of any drug". The power here is that of defining conditions of sale of any drug, in the interest of and for the protection of public health. I cannot see any difference in substance between the words the hon. member suggests we use, and the words we have used in the amendment.

This has been given most serious consideration. The amendment I have suggested has been put forward following representations from the trade. Representatives of the trade have expressed their satisfaction with it as meeting their point of view. I have received no representations from anyone, although this has been before the senate and has been a matter of public knowledge for about a month. It was discussed by the senate committee on health, and, so far as I know, no representations were made there. I feel the matter has been considered adequately, that the section with the amendment I have proposed does what we want it to do, that it is effectively restricted, and that it is in the public interest to pass the measure.

Mr. MACDONNELL (Muskoka-Ontario): May I add a word of comment to what the minister has said? It is this: I have listened to what has been said by the hon. member for Carleton, and I would suggest to the minister that certain inquiries have been made. I know that—though why they were not made to the senate, I do not know.

[Mr. Boucher.]

This is a Friday afternoon, when many hon. members are absent. I have one in mind who I know would like to have been here. We have devoted only about fifteen minutes to this measure. Unless the matter is regarded as being entirely open and shut, and it is not worth taking another look at it for the purpose of trying to arrive at a view which would be satisfactory all round, I would support the suggestion of the hon. member for Carleton.

Mr. CLAXTON: As the hon. member for Broadview has said, this is the eighty-fourth day of the session. The bill has been before the senate for some time, and has been on our order paper for more than a week. I have received no representations regarding it from anyone. I do believe it is the kind of technical and non-controversial matter which, in the absence of serious objection from anyone on grounds of principle, should be disposed of.

I believe it is the wish of hon. members to dispose of these matters, unless there is some serious reason for not doing so. Apart from the representation we have heard to-day, I have not received any representations about this matter, nor, so far as I know, did the senate. So that in the absence of such views I do not feel it would serve the interests of the public or of this house if delay were permitted, unless some good reason is advanced for that delay. There is no disposition on the part of the government to push this through, but we believe it is in the public interest that the bill should be passed. In view of these points I would ask the committee to allow the section to carry.

Mr. HODGSON: The minister has said that he has had no representations from anyone. I have one that I should like to give him.

Mr. CLAXTON: Is that about this bill, or bill 55?

Mr. HODGSON: It is with reference to both.

Mr. CLAXTON: This bill, too?

Mr. HODGSON: Yes, this bill, too. Has not the minister received a letter about bill 55?

Mr. CLAXTON: I never had one about this bill from anyone, except the one I mentioned before.

Mr. HODGSON: There are references to the legality of it, and so on, in the letter.

Mr. CLAXTON: That is the point put forward by the Canadian Pharmaceutical Association, of which no doubt your correspondent was a member, and which I believe has been met by the amendment I have put before the committee.

Mr. GRAYDON: Does the present amendment meet the wishes of the Canadian Pharmaceutical Manufacturers Association?

Mr. CLAXTON: Yes, it is my understanding. It was made in consequence of their representations.

Amendment agreed to.

Section as amended agreed to.

On section 2.

Mr. HAZEN: Why is the word "disgusting" used in this section? It seems to me that in using this word a great deal is left to the personal opinion of some individual. What is "disgusting" surely should not be left to the taste or fancy of an individual.

Mr. CLAXTON: It is just because we do not want to leave it to anyone's taste that we put it in there.

Mr. HAZEN: I suggest there should be a definition of the word.

Mr. CLAXTON: I believe I can satisfy the hon. member by telling the house about a case which was one of several which led to our asking for this amendment. Last year we received an application for the entry into Canada of a large shipment of peanuts. At the time we would have liked to receive the shipment so as to turn the peanuts into peanut oil; we were short of oils and fats. We found however that the entry of this shipment of peanuts into the United States had been refused on the ground that in the peanuts was a large quantity of rat hairs and rat droppings. It was possible that through hydrogenation an oil which was chemically pure could be produced. We felt, however, and I think every hon. member would feel, that if the public knew they were eating oil cake or other foods made from oil which originally contained a large proportion of rat droppings, they would consider that "disgusting". A condition of that kind might not come under the words "filthy", or "putrid" or "rotten" or "decomposed" or "diseased". I believe, therefore, that we have made out a case for the use of the word "disgusting".

This was not the only case. There was a shipment of orange peel, and other shipments of foods from other countries. It became quite a stunt with shipments refused entry into the United States to try to get entry into Canada, perhaps after some process in the intermediate stage. We certainly do not mean to make our country a receiving centre for food which is found improper for human consumption in any other country. Our standards will be as high as those found anywhere else.

Mr. HAZEN: Is the word "disgusting" in the United States Act? It seems to me an inappropriate word.

Mr. CLAXTON: No, it is not in the United States Act. This section is offered to meet cases along the lines of those I have described; and it was felt that to remove any possible doubt we should use this "disgusting" word.

Mr. STIRLING: Under what wording in the United States were rat droppings refused entry?

Mr. CLAXTON: They have a wide general power in their act which we do not have, through the use of the words, "or is otherwise unfit for food." We are seeking that protection too. But in view of our particular experiences and the representations made to us by representatives of importers who asserted that these conditions would not fall under any of the other words, we felt that we should have this express power.

Mr. STIRLING: Would "free from impurities" be a proper expression?

Mr. CLAXTON: I understand that after the peanuts have been put through the process and converted to oil they are chemically pure. If no one heard that the product had been full of some disgusting material there would be no objection raised. We want to protect the people as far as possible.

Mr. HAZEN: In what condition does raw sugar enter the country? Would it not be excluded under this section?

Mr. CLAXTON: I would not think raw sugar comes in in a disgusting condition. This section must be read together with section 4 of the act, which states that food shall be deemed to be adulterated within the meaning of the act, and then these different things are set out.

Section agreed to.

Sections 3 and 4 agreed to.

Bill reported, read the third time and passed.

CANADIAN INFORMATION SERVICE

COORDINATION OF AND ASSISTANCE TO GOVERNMENT INFORMATION SERVICE

Hon. BROOKE CLAXTON (Minister of National Health and Welfare) moved that the house go into committee to consider the following resolution:

That it is expedient to present a bill to establish a Canadian information service for collecting and distributing abroad information concerning Canada and to coordinate and assist the information service of the government and

to provide for payment of salaries of staff and expenses of the service from moneys appropriated by parliament.

Mr. FULTON: Is the minister going to explain the purpose of the resolution?

Mr. CLAXTON: I shall be glad to do that, either now or later. It was the hope of the government that we might have first reading of the bill and then have it distributed. We would then take up the estimates of the Canadian information service, at which time hon. members could secure full information about its operations, and proceed with the second reading of the bill at a later time. That seems to be the logical way to proceed.

In reply to the hon. member for Kamloops I would say briefly that the Canadian information service was established on September 28, 1945, by order in council P.C. 6300. It succeeded the wartime information board, which had been set up on September 9, 1942, by P.C. 8099. The wartime information board succeeded the directorate of public information which was brought under the Department of National War Services by P.C. 3333 on July 19, 1940. That succeeded the committee of public information which was established on October 7, 1939 by P.C. 2654 and by P.C. 4073 of December 8, 1939. The heads of these services were successively Mr. Walter Thompson, of the Canadian National Railways; Mr. Herbert Lash, of the Canadian National Railways; Mr. Charles Vining, of the newsprint export manufacturers association; Mr. John Grierson, Mr. A. D. Dunton, and the present head, Mr. G. F. Andrew, to all of whom we are indebted for distinguished service during war time.

The purpose of the Canadian information service is much more limited than that of the wartime information board or its predecessors. Its purpose as set out in the order in council is to provide means and facilities for distributing information abroad concerning Canada and to coordinate and assist the public information services of the government. That purpose was amplified by the acting Prime Minister, after P.C. 6300 had been tabled, when he said—

Mr. GREEN: What date was that?

Mr. CLAXTON: That would be immediately after September 28, 1945. He said:

> Those with whom we trade must know our country and its possibilities; those with whom we associate for the maintenance of world security must know with whom they are cooperating and what may be expected of our cooperation. In short, both trade and diplomacy to be carried out successfully need a background of understanding based on factual information objectively presented.

At a later date I will, if requested, outline the way in which information services were developed during and after the war, in other countries as well as in Canada. I know of no country in which a similar service is not set up under one form or another, and in every country that I know of the service is set up on a much more elaborate scale and at greater cost than is intended for the Canadian service.

The aim is to establish a small service as compared with the service in any other country, to be under the immediate administration of the director, Mr. G. F. Andrew, but with regard to matters of policy and major concern to be subject to the supervision of a supervisory committee. On that committee would be representatives of other government information services, as well as representatives of the Department of External Affairs and the Department of Trade and Commerce. There would be a staff at Ottawa and their first function would be to provide for Canada's offices abroad, wherever and whatever the offices may be, information about Canada. That was found to be necessary to keep them continuously informed during the war, and it has been found useful, desirable and necessary in the post-war period. The information service takes several forms. It includes the distribution of books as reference libraries, and publications. It prepares reference papers on matters of current interest, such as for example, the situation as to food, Canada's trade, Canada's financial aid to other countries; and it sends out descriptive booklets as well as a regular daily air mail service, a weekly summary of news, and a monthly publication. In addition it supplies our offices abroad, through or in coordination with the national film board, with films, still pictures, and so on. It also, of course, answers inquiries received from abroad, and tries in every way possible to make Canada better known in other countries, the need of which is agreed to by everyone.

This information is sent to the officers of the Canadian information service at New York, Washington, London, Paris and Canberra. The material also goes to our diplomatic representatives in the countries of the British commonwealth and in foreign countries where we have representatives. It goes to the trade commissioners and other representatives, and officers of Canada stationed abroad.

I noticed in the Montreal *Gazette* to-day a dispatch on the front page on the introduction of this bill which certainly is intended to give every appearance of being a news dispatch. The byline is from the *Gazette's* resident correspondent at Ottawa, July 18. Then fol-

lows what appears to be a news dispatch, but it has a serious misstatement of fact and several statements of editorial opinion. One of the things stated there is:

External Affairs has publicity men attached to many of its embassies and legations in other countries.

It states that therefore the Canadian information service is not necessary. The only publicity men, as they are called here, attached to embassies or legations are officers of the Canadian information service. External Affairs has no other public relations or information people in its service. When that is said it meets very largely the point which the *Gazette* correspondent or the *Gazette* itself tried to make.

Similar services are considered to be necessary by the United Kingdom, the United States, France, Australia, New Zealand and every other country that I know of. All the countries I have named have information representatives in Canada, at Ottawa or elsewhere. I have fairly full information about the size of the offices, the size of the staffs, and the amount of the expenditures of many of these information services of other countries. Of course we are anxious to set up this service as economically as it could be done having regard to the needs of the Canadian people. I can assure the house that I know of no more modest service than that which we seek to set up, and I know of none in which the salaries are more reasonable and the total over-all expenditure is as small.

I have dealt with the primary function of the information service. But it also has another function, and that is coordinating and assisting the other information services of the government in Canada. It has done that. Perhaps I should give a concrete example. There is an interdepartmental committee called the rehabilitation committee. It is furnished with a chairman and a secretary as well as with expert assistance by the Canadian information service. The food information committee is another example, and I could give others. That is the kind of thing that has been done by way of coordinating and assisting other Canadian information services.

The third function of the Canadian information service is to act in connection with Canada's attendance and participation in international conferences. It has been found by every country that it is desirable at all the major conferences to have attached to each delegation an information officer to arrange for press conferences, for the preparation and release of material to the press, for the preparation of background material, and that kind of thing, so as to ensure that so far as possible the reports of material of primary interest to the country concerned—in this case Canada and its citizens—are made continuously available by the delegation through the ordinary press agencies for distribution and dissemination at home. Such an information officer attached to a delegation is able to advise the delegation on presenting its material, on meeting the press, and on other questions sometimes quite technical, which things are necessary if a country is to secure an adequate dissemination of information about its position.

The fourth function of the Canadian information service is to act as the information bureau or supply the officers for the information bureau at international conferences held in Canada. I have in mind not only the two Quebec conferences but also the second meeting of the council of UNRRA, the meeting of the food conference, the meeting of PICAO and others, where the Canadian information service provided what was in essence the international staff necessary to discharge the informational needs of a great international conference.

Another function of the service is to arrange for foregin visitors to come to Canada and to see that as far as possible while in Canada they receive whatever facilities may be necessary to enable them to see what they want to see of our country. That kind of service is now furnished by every government. We have found it necessary to do it, and it is necessary that it should be done by a special service.

Finally there has been set up, as hon. members know, the united nations educational, scientific and cultural organization—UNESCO, as it is called—which was the result of meetings held at London in November, 1945. Canada signed the convention, and some sixteen countries have now ratified it. Canada no doubt will ratify it in due course, and it will be necessary then for some agency in Canada to act as the corresponding unit, the funnel through which there will be two-way communication between UNESCO and the proper agencies in Canada; and that will be partly the Department of External Affairs, and partly the Canadian information service.

The bill, which I hope will secure first reading, and will be distributed soon, is very much along the lines of the order in council setting up the Canadian information service, under which it has been working since it was set up some months ago. As I have said, it is the hope of the government that if first reading is secured for this bill and the bill is distributed, at once we shall move into committee of supply, and there I shall be glad indeed to deal with the estimates of the privy council which

relate to the Canadian information service and answer all questions which hon. members may put.

Mr. E. D. FULTON (Kamloops): Mr. Speaker, the minister has given us a complete picture of the operation of the Canadian information service and has outlined in general terms the methods by which it is proposed that the service should function.

With respect to his suggestion as to the method of procedure from now on, with deference to the minister, and although we appreciate the anxiety to get through the business of the house, I feel nevertheless that our greatest anxiety should be to discharge efficiently our task here as an opposition to criticize measures brought before us and thereby to help the government more efficiently to discharge its task as a government. We do not feel that to accede to the suggestion put forth by the minister would in any great measure expedite the business of the house, and certainly it would not enable us to make that full and searching examination of this measure which we feel it to be our duty to make.

Speaking of the way in which this Canadian information service will operate, the minister said that its task would be to spread information of Canada to foreign countries, and in particular to spread information about Canada's efforts with regard to food and financial assistance to other countries.

Mr. CLAXTON: Oh, I did not say that at all.

Mr. FULTON: I understood the minister to say that.

Mr. CLAXTON: I gave food and financial assistance as examples of the kind of subjects on which reference papers were prepared in Canada and sent abroad. It is by no means limited to that.

Mr. FULTON: I was not suggesting it was limited to that. I was merely pointing out—

Mr. CLAXTON: That was by way of example.

Mr. FULTON: —that that was one of the functions, to assist in the dissemination of information on these heads. In this connection I should like to say that criticism has been voiced that this service it is not operating efficiently, is not discharging one of the legitimate functions which, if it is felt to be essential at all, the people would like it to discharge.

I want to make the reservation here that we do not accept the necessity or the desirability of having this service. We intend to question it, and to question whether it is discharging its duties efficiently. But if it exists at all we feel it should render some service, and we wish to find out whether we are getting value for the money which is being spent.

I have before me an editorial which appeared in the Sherbrooke *Daily Record;* and in order to save, possibly, somebody on the other side the trouble, I will say now that I avow quite frankly the paper is not friendly to the government. It does, however, reproduce some facts from independent observers and these should be brought to the minister's attention. It is in the issue of May 8 of this year and appears under the heading, "Canadian Publicity in England". It begins:

In spite of the expenditures incurred by the federal government to support the Canadian information service—

Mr. CLAXTON: I do not like to interrupt the hon. gentleman but I would raise a point of order. Some time ago I endeavoured to read from an editorial an extract with regard to some remarks of the hon. member for Vancouver-Burrard, and a point of order was raised by the hon. member for Peel that I must not read from a newspaper editorial. I thought it was a curious point of order, but I was told by the Chairman—we were in committee—that I could not read from the editorial. Having been told that once, I should like to ask Your Honour whether that is permitted or not.

Mr. FULTON: To save Your Honour the necessity of ruling. I will refrain from reading the editorial to which I have referred. I would point out, though, that we are not in committee at the moment, and further that it has been general practice to refer to editorials. However, the minister will probably say that if one side is prevented from doing it, so should the other be.

Mr. CLAXTON: I would rather see everyone do it.

Mr. FULTON: In any event, it is not necessary for me to read the editorial. The criticism is that of a newspaper writer returning from England and therefore it was based on personal observation. The criticism was to the effect that the British people were under the impression that they were still getting the bulk of their bacon imports from Denmark, whereas in fact the bulk of those imports were coming from Canada. The journalist remarks—and his remarks were quoted—that it was a pity that the Canadian information service, which was spending the people's money, did not tackle that problem in realistic fashion to bring to the people not only of England but of the continent of Europe the great part which Canada was playing in con-

tributions to UNRRA by way of food and financial relief. If we have this service at all—and this is our first criticism—it is not discharging its functions in an efficient manner in the interests of Canada; in other words, the people of Canada do not get value for their money.

I hope the minister will not say that my suggestion means that we are urging him to spend more money. We are not, and we shall point out before we are through that we want a full explanation as to why it is necessary to spend as much as we are spending on this service and whether we need the service in its present form. However, that point is one that can be discussed later.

To our minds, the main question is whether the service is essential. We have various other departments of government with agencies in foreign countries, and we have departments of government here which operate bureaux in foreign countries, all of which spend money on advertising, public relations, and similar work abroad. This brings to mind the question whether we need to spend a large amount for a separate body under a separate minister to provide the same or a similar service. There are several general questions, and objections of a general nature which I think should be brought forward.

The minister listed several functions performed by the Canadian information service, some of them very unconvincing as arguments in support of the need of this service. I propose to mention several objections to and criticisms of the general idea of carrying on this service. In the first place, as the minister has pointed out, this is a descendant of a war-time service, the wartime information board, a service which was set up under emergency legislation and was presumed at that time to be intended to last only for the duration of the war. I suggest that the people of Canada were entitled to assume that the board would come to an end with the end of the war and that the money spent on that board would thereby be saved.

May I remark that the decision to continue this function, under the head of Canadian information service, is illustrative of the general trend which we have observed, whereby establishments set up to deal with emergency situations tend to become permanent. It is another illustration of the general trend of expenditures, instituted and justified on the grounds of emergency, becoming established, set and taken as a matter of course and so continued when the emergency has passed, and in fact even increased.

If we had in this country plenty of money to spend on old age pensions, plenty to spend on social security, and sufficient revenue to justify a cut in taxes, then the position would be quite different. But we heard the Minister of Finance (Mr. Ilsley) say that this group here had failed to suggest ways in which expenditures could be reduced. We heard him say that until we could reduce expenditures we could not reduce taxation. That in itself suggests the principle which the government should bear in mind in carrying on these services, and unless they suggest much more vital and important reasons than the minister has given this afternoon, we on this side will remain entirely unconvinced of the necessity of this service and of the justification for spending money on it.

I may interject here that the item in the estimates this year, at page 73 of the main estimates, amounts to $640,700. That is item 591. That means well over half a million dollars. On the face of it, we are not convinced that this service is essential or that the money that is spent can be justified. If it could be shown that the service bore a relation to vital policy which the government was concerned to put over in countries overseas, such as an immigration policy for the encouragement of immigration on any general scale, which could be called a policy, it would be a different matter, and still I should say that it would require careful proof whether a separate board was necessary under those circumstances. But we have had no proof that it is related to some specific purpose. We have had merely a general statement that it will assist other departments in the discharge of their existing functions.

In that connection, I would point out something in regard to which the house and the country should have some information. The Department of Trade and Commerce, as will be seen at page 51 of the main estimates, is spending $459,000 this year on trade publicity and advertising in Canada and abroad, and I should wish to be conclusively shown that there was no overlapping before I would suggest that we cease criticizing this large expenditure which we are asked to continue under this bill. The Department of Trade and Commerce is also spending $650,000 to assist in promoting tourist business in Canada. Possibly the minister can tell us how much of that is spent outside the country, for it is unlikely that all that money is spent in Canada. I should imagine that a good deal of it is spent in advertising abroad. However, that point can be covered later. Here at any rate we have $650,000 plus $459,000, or over a million dollars being spent

by the Department of Trade and Commerce alone in advertising Canada or in assisting the tourist industry.

Then, in the Department of External Affairs we have an item for $2,436,325 for representation abroad. It may be that at present none of the persons paid by the money voted in that item is charged with responsibility for advertising Canada abroad, but I would suggest that these officials, together with the trade and commerce department, have an extensive programme in contemplation. It might be more efficient to give them the function of advertising Canada abroad, and we might discharge that function at the cost of a great deal less money than is involved in setting up a separate branch for Canadian information services and voting it over $600,000.

While we are on this matter, may I refer to a return which was tabled, being sessional paper 137 of March 15, 1946, in reply to a motion by the hon. member for Eglinton (Mr. Fleming), who asked: (a) How much money was expended by us through the wartime information board, by years, while it was in existence? (b) How much thereof was paid to persons outside Canada, and for what, and who were those persons? The return shows that for the year 1942-43 the total spent by and through wartime information board was $1,473,524; in 1943-44, $759,000—I am giving the round figures—in 1944-45, $1,700,000; in 1945-46, up to September 28, when the board was transferred to Canadian information service, $754,000. That represents a total in those four years of $4,687,267.39, of which, in the same period, a grand total of $37,456.49 was paid to persons other than Canadians. I put these figures on the record to show what has been the scale of expenditures in the past.

I should also like to refer to another sessional paper in which the question was asked as to the estimated monthly expenditure of Canadian information service—that is, the present service—and of what items that expenditure consisted. The answer was that the monthly expenditure was $53,714. So that we are spending $53,714 a month on what would appear to be on the face of it a questionable service. The necessity for it is questionable, and it may well be that the personnel could be replaced by other bodies already in existence.

Another objection which we have to this Canadian information service is that it is another of those government bureaux concerning whose activities we have experienced great difficulty in obtaining information. We have had several instances of this sort in this house in the last day or two. I will not refer to them because they did not occur during this debate, but I can refer to something that took place in connection with this very service last year, when the hon. member for Eglinton moved for a copy of all minutes of proceedings of the committee supervising the Canadian information service. What took place is to be found at page 2118 of *Hansard* of November 14, 1945. The minister refused to produce the minutes of proceedings on the grounds of privilege. The hon. member for Eglinton said:

> I am not asking in the motion for the production of reports to the minister or for opinions given to him by this committee. What the motion asks for is a copy of the minutes and proceedings of the committee. If you look at the order in council referred to by the minister you will see that this is an administrative body. It is charged with carrying out the provisions of the order P.C. 6300.

I might point out, Mr. Speaker, that that order is in almost exactly the same words as the present resolution. The order read that the service was established for the purpose of providing "means and facilities for distributing abroad information concerning Canada and for coordinating and assisting the public information service of the government." I think the point made on that occasion by the hon. member was a good one. It was not a confidential document in the way of a report he was asking for; he was asking for minutes and proceedings of the committee after it had met in order that we might know what was the policy of this service. The hon. member went on to say at page 2119 of *Hansard*:

> My next point in reply to the minister is that parliament has the right and the duty to know what the Canadian information service is doing and is planning to do, and the minutes of the supervising committee contain that essential information. Therefore they must be available to parliament, if parliament is to be in a position to do its duty.

The minister, however, supported by the Minister of Finance, then Acting Prime Minister, maintained his position. The matter was put to a vote in the house and the motion was defeated by the usual government majority, the vote being 85 to 105. Therefore I say this appears to be merely another of these government boards with regard to which parliament is to be denied information. On that ground I question very much the wisdom of continuing it, certainly the wisdom of setting it up by statute, until we are assured that the policy of the minister and the government in that respect has been changed.

There is one further objection which we have, and which is of a general nature, namely, that this service must bring to this country

inevitably the dangers inherent in all government information agencies. I should like to speak, and would be expected to speak, fairly carefully here, because I know the persons in charge of these agencies are persons of good faith, and persons who attempt to act in good faith. But I submit in all seriousness that it is impossible for persons charged with disseminating information about government activities to avoid colouring their information constantly with items and points of view favourable to the administration whose policies they are publicizing. That is inevitable. If they did not do that they could not be maintained in office. There might be hon. members who say that such a trend is not dangerous, but I think most hon. members on this side of the house—and certainly all in this particular group—feel that that trend is an extremely dangerous one. Probably even if this party were in office the same trend would be evident, because as I say, the trend is inevitable in connection with government publicity. That is why we think government should keep out of the publicity business, not only on the grounds of expense, but also on the ground, if you like, that it is not justified in spending any public money for political or propaganda purposes—and propaganda cannot be avoided in this sort of activity. That is another reason why we resist the proposal to set up this service and perpetuate it under a statute.

That just about completes the objections we have to this board. In conclusion, I should like to emphasize the first point I made. The service might perform a useful function though we are not convinced of that. It might perform a useful function in so far as disseminating information overseas is concerned—I certainly think that should be the very limit of its function; it should disseminate no information in Canada. But we want to be convinced that it is performing that service, because it is essential that the people of Canada get value for their money.

Mr. T. L. CHURCH (Broadview): The resolution of the minister states that it is expedient to present a bill to establish a Canadian information service. It is not expedient; it is a reckless raid on public funds. At the present time we have public ownership of railways; we have insurance companies, banks, departmental stores and other mercantile organizations, all supplying information abroad. They have their agents and all of that kind of thing. We have also Trade and Immigration, air and steamship lines.

When this information bureau started during the war it was used largely for political propaganda purposes. Information by the ton was sent out all over Canada, all over the world and on the seven seas. But what did the editors of the newspapers do with it? Many of them said they threw it in the wastepaper basket. The information was not information at all. As I said before, the service should not have been created.

The resolution says that it is expedient; if it is expedient, it is not necessary. Is it expedient to be spending a billion and a half dollars on civilian estimates at the present time? Think of all the trips abroad! I fancy this department started in a small way. It was a reflection on the press which did such great work in the war. First, they got one clerk and then they borrowed a few fellows from the civil service. Then they launched out. They said, as Israel Tarte, the one-time member for Montmagny-L'Islet, said, "Wait until you see us next year." Who are these people? Take up the main estimates and you find that every department of the public service has publicity agents abroad on the seven seas spending money like water with duplication and waste. There are all kinds of duplications. They are doing work that is largely the function of trade and commerce and industry. We have trade agents and immigration agents and all that sort of thing for eleven million people. We are overgoverned and overtaxed from one end of Canada to the other. No wonder the people are losing confidence in us as representatives. I said that when this matter was up a few years ago.

As John Hayden said in 1797, referring to the golden age:

> The press is now the only organ of public opinion.

Much more than the House of Commons is. I continue:

> This title it assumes; but it is not by usurpation; it is rendered legitimate by the defects of your parliamentary constitution; it is erected upon the ruins of real representation. The periodical press is the rival of the House of Commons; and it is, and it will be, the successful rival, as long as that house does not represent the people, but not one day longer.

These wise words were used years ago, and they are correct to-day. Our parliamentary system, erected by the people, now looks to the press for its information, and they represent public opinion more than we do. When the information bureau was set up during the war, it was, as I then said, a reflection on the press. Instead of utilizing existing agencies, the government assumed the functions of the press and it was wide of the mark.

The minister is fond of spending money and duplicating services. I do not wish to reflect on him because he is an able young man, likable and full of promise, and an old friend of mine, but I object in the public

interest to certain things in this matter, namely, the duplication and the waste which is going on in the public service of Canada. The provinces have information bureaux and picture books which they get out and send all over the country and the world. The various departments of provinces and municipalities are all spending money on publicity, or at least some of them are. They cannot spend it like water in the municipalities because the taxpayers have a check on them every December or January first in the annual elections. If they spent money like that they would be put out of office. This spending of money is all reflected in the federal tax rate. This extravagance will go on just as long as the House of Commons stands for it. The suggested expenditure for this new service should be reduced to $1, and then you would be spending a dollar you do not need to spend. It provides no information; it does not bring a soul to Canada.

The work done during the war in the information bureau along these lines was done by civilians who were established in good fat jobs, complete with travelling expenses by aeroplane, hotel bills, drawing rooms, and all that sort of thing. And they can simply snap their fingers at the auditor general. No wonder the Minister of Finance (Mr. Ilsley) is getting sick of it. The taxpayers are getting sick of it, too. People in the constituencies are wondering what kind of parliament this is, when it is so ready to spend money like water to maintain some of these useless institutions and services of no value.

This is not an expenditure in the public interest. We have seen the work done by the old government of Canada information bureau in New York, housed in a luxurious office, with all travelling expenses paid. They counted that day lost in the United States in which they did not spend at least $5,000 or $10,000 for fads and frills. Just look at the state of affairs in the United States, particularly in congress and in the senate when there was a debate about the loan to Britain. The Canadian information bureau was supposed to give information to the American people, to draw them away from their old type of history books which described a Britain of the Seven Years war, and all that kind of thing. That is the sort of thing the information bureau was supposed to be doing and to cure in New York and the United States.

Did the bureau change any of that information? No, they have the same old history books. I have seen them in Cleveland, Buffalo and other cities, with information in them equivalent to the days of Lord North. That is the kind of information they are still using and getting after this extravagant expenditure of money of ours there. The municipalities could not spend money like this, and the provinces have been curtailing their expenditures. There is no necessity for it, at all.

I believe it was in Cleveland, Detroit or Toledo—I am not sure which—where I saw a pamphlet and pictures of information describing those celebrated gentlemen of the Royal Canadian Mounted police, who are under the control of the Minister of Justice (Mr. St. Laurent). Americans come up here in front of the parliament buildings during the summer and see our splendid mounted police wearing their red coats and their military uniforms in this awful heat and making a laughing-stock out of parliament which asks these brave men and the finest police service to wear them, in the idea that this sort of advertising is necessary to encourage people from the United States to come to Ottawa. We are spending money to advertise the mounted police, when they do not need advertising, at all. Their great record in peace and war alike does not need such publicity.

The time has come for a halt. Parliament is going to get a rude awakening at the polls when the next election comes along. If we look at the back of this book of estimates I have before me we find details of expenditures made in the public service. What right have we to open up new departments, when the war is over, and to extend this service? New Zealand and Australia would not stand for it; the people down there would not put up with it. I doubt not that if the people of Canada had an opportunity to vote on it they would vote it down.

We shall have to strike out all these unnecessary post-war expenditures, and let us get back to a consideration of the interests of the small businessman, the taxpayer, the farmer and the artisan. I have had occasion to take note of the kind of advertising done by large department stores such as Eatons and Simpsons. They do ten times more work in a day than this fancy department of government would do in all the years since its creation.

I have always been against this method of advertising our country. Canada does not need to be advertised along the lines mentioned by the minister. The quicker we get back to striking these expenditures out of the estimates, all these fads and frills, the better it will be for responsible government in this dominion. There is no such thing as responsible government here, anyway. We

might as well pack up and go home, for all the control we have over expenditures. We have a comptroller of the treasury, but if he finds anything wrong under the War Measures Act we never hear about it. He is just holding postmortems after the money is spent.

There will be a day of reckoning after the next election. The undertaker will be there ready to provide accommodation for some of the politicians both in and out of the house who are willing to stand for expenditures like this.

Mr. STANLEY KNOWLES (Winnipeg North Centre): Mr. Speaker, it is an ordinary practice to begin one's speech by saying that he did not intend to speak on the subject before the house. I should like hon. members to believe that in this instance that is true because, until I listened to the opposition to my right, I had not intended doing so.

At times some of us find ourselves in the difficult position of recognizing that there can be only two sides to a question. This means that frequently we have to take sides with one or other of the two old parties. Some get a good deal of amusement out of that fact. In this instance I find myself supporting the measure brought down by the government.

Mr. GRAYDON: There is nothing new about that.

Mr. KNOWLES: Well, when the hon. member says there is nothing new about it I would remind him that last evening the Liberals and the Tories voted together to defeat a proposal we were offering. So that, from time to time, we do get mixed up.

Mr. GRAYDON: Your amendment was so bad we could not do anything about it.

Mr. KNOWLES: It was an amendment which, among other things, supported the co-operatives, which my hon. friends voted against.

In expressing general support for this measure, I wish to make it clear that this does not mean that I do not agree with the contention of the hon. member for Kamloops (Mr. Fulton) that we should get full value for our money. I agree with him that parliament should know as much as possible of what is going on in the Canadian information service, and it is our job to do everything we can to keep those who are operating that service on their toes so that they will do a good job.

I wish, however, to make the point that in the society of to-day we need all the light and knowledge we can possibly have. We cannot have too much of it. The hon. member for Kamloops referred to this service as one which had been initiated during the war under the authority of the War Measures Act, and expressed the opinion that it had been an emergency measure which should have ended with the end of the war. My view is that there were many things which had their beginning during the war but which did not come to an end at its close.

It is possible that we may have learned a few things in those bitter years, and one of the things we learned was the great need for public information, and for our own people to know as much as possible of what is going on, and for the rest of the world to be fully informed about us. This might be considered as being in the field of adult education. We do not oppose the idea of provincial or municipal governments sponsoring and providing education for our children. In our western democracies at any rate we have got past the stage where we feel that because governments are in charge of education of our children, necessarily such education is in the form of propaganda. Such is not the case.

Education does not stop at grade 8, grade 12 or with university. Surely it goes on throughout the whole of one's life. In a dynamic age, such as the one in which we are living, if we are to be able to live in it and to meet effectively the problems which arise from time to time, our people must continue to learn as long as they live. They must be supplied with all possible information about happenings in our own country, and trends and developments throughout the world. On that basis I feel it is one of the responsibilities of the government to organize an information service. Since this matter of public information is a new field I recognize immediately that the government is put in a difficult spot. I do not quarrel with the hon. member for Kamloops for pointing out the dangers of creating government information services. I do not agree with him, but I think it is well that the point was made, so that the government will realize that they must lean over backward, that they must be particularly careful, especially in getting started, so that the reputation of this service will not be ruined by its being just a propagandist agency; it should be set up to provide information in an objective way.

I remember a case in point two or three years ago when this matter was up in the house, I believe on the estimates of the wartime information board. At that time I joined in part with my hon. friends in complaining that too much of the material in some of the W.I.B. documents and pamphlets that were going overseas had to do with information about the government. I tried to make the point to the minister in charge—I believe it was the present

minister who was then parliamentary assistant to the Prime Minister—that to give a true picture of the situation in Canada there should be some account of what the other parties in the country were doing as well as of what was being done by the party that happened to be in power.

There was a long battle and our request was refused on the floor of the house, but eventually we won to the extent that in the issue of *Canadian Affairs* published just before the election by W.I.B., the predecessor of the Canadian information service, there appeared statements which had been prepared by the national parties which were taking part in the election of 1945. I do not think anyone was sorry that this was done, because it was a presentation of the picture as it stood.

I was glad to see a move made in the direction of getting away from the fear that you must not talk about political parties. After all, they are a large part of our national life. If you are to tell the story of what is going on, the story of the political parties has to be told. I felt encouraged that we had made some headway a few months ago when I was overseas attending certain international meetings. At that time the Canadian delegation was supplied by the Canadian information services with information as to what was going on back home in Canada. When you are away from home it means a great deal to get these telegraphic dispatches. I have a vivid recollection of feelings that, while the coverage was necessarily brief, nevertheless it was quite broad. I remember that almost all of one dispatch was devoted to an amendment that had been moved and the remarks made on the floor of this house by the leader of the group to which I belong. While my hon. friends to my right might not like that, it proved to me that the Canadian information service was trying to give a true picture of what was going on back home.

It would appear to me that there is more to the job that should be done by an information service than was referred to by the minister. He may have overlooked part of it, or perhaps I missed it, but as I understand it the job of a public information service is not just to disseminate information abroad; it should also disseminate information within the country. We still receive a good many documents from the Canadian information service, although not quite as many as during the latter months of the war or, if I may say so, just before the election. That may seem to defeat the point I am trying to make, but in fact it does not. I am in wholehearted support of the basic principle, but naturally I want to see this service carried on in an objective way. When the minister speaks on this matter again when we are in committee I hope he will have something to say about the domestic phase.

We all recognize the importance of publicizing Canada abroad, and those of us who have had the privilege of attending international conferences will, I am sure, all subscribe to that. However, I am more concerned about the level of the information given to our people here at home. As I said, I think that should be the principal job of a public information service. I hope these people will be given all kinds of support. That will not mean that we will not criticize them if we think they are not giving full value for the money spent; it will not mean that we will not criticize them if we think they are giving too much publicity to what the government is doing and failing to recognize the other activities in the community. With these and other suggestions that we might make later on, I want to support strongly the idea of developing and strengthening a public information service.

We are all aware of the difficult and trying period through which we have gone in the last six or seven years, yes in the last ten or fifteen years, but my notion is that we shall have even more difficult times ahead of us. One of the ways to fortify our people and help them to understand and adjust themselves to changing social and economic conditions, to understand problems in the international field, is to have as much knowledge and information as possible. I contend that it is one of the responsibilities of a democratic government to organize an information service among its people.

I know that every time this kind of thing is brought up people say, "It is being done by the government of the day." I do not support the government of the day—I did my best in April, May and June of 1945 to see that they were not returned—but this is a democracy. Hon. gentlemen opposite are there by the will of the people of this country; while they are there, it is part of their job to let the people know what the various departments are doing.

Mr. FULTON: The C.I.S. does not do that.

Mr. KNOWLES: If it is not doing that, it should be. I hope we shall have some information from the minister on that point when we get into committee.

There is just one more question I should like to ask before sitting down. The way I have spoken will, I think, indicate that I did not intend to make a speech at this time, but

I felt that the minister should have some support since members on his own side are few and far between and very quiet to-day.

When this service is set up by statute I should like to know under what minister it will operate. The wartime information board came under the privy council and I believe the estimates are still under that department in the demobilization section. Will the minister tell us who is to have charge of these functions and whether, perchance, they are to be related to such similar services as the national film board? While I intend to do all I can to correct any abuses and to make sure that we get our money's worth, nevertheless I support the principle of the proposal now before us.

Mr. GORDON GRAYDON (Peel): Mr. Speaker, before this resolution carries I should like to make a few observations that occur to me as being important in connection with the Canadian information service. I was interested in what my good friend, the hon. member for Winnipeg North Centre (Mr. Knowles), just said with respect to the Canadian information service conveying to the public information concerning the work being done by the respective departments of government. I would not think so much of that except for this: In the minister's own department, if my arithmetic is correct, either the Canadian information service is not doing the job it was intended to do, or else the minister is duplicating that service on his own, because I find that altogether $518,000 is being spent by his own department on publicity and information.

It is difficult, Mr. Speaker, to criticize governmental policy and administration without seeming to reflect upon those who are employed by the government in carrying out its policy. But I want to make this clear, that in the Canadian information service are many exceptionally able men, quite a number of whom I know myself, but under the present set-up of the Canadian information service these men are simply being encouraged by the government to waste an important part and the productive part of their journalistic life. I do not think many people—I want to put this baldly in clear language—are going to be fooled by the set-up of the Canadian information service. There are some practical people in parliament whom it is not easy to fool. You can picture the Canadian information service in any way you like, but the natural trend of such a service is not simply to convey information about the departments of government. but in the last analysis it becomes a propaganda machine for the government that happens to be in office. Let us look that fact squarely in the face and not be fooled by any fancy language concerning it. Actually the Canadian information service should not be called the Canadian information service. It should really be called the Canadian government perpetuation service, because that is what the service eventually becomes in effect. Again I want to make it clear that it is no reflection on the men who are in this service, for many of whom I have the highest regard both personally and for the ability they so often exhibit. This information service is not even a fifth wheel to the parliamentary coach; it is an eighth or ninth wheel, and unless the minister is able to make a much better case than he has done up to the present, I cannot see how this money is being spent to good advantage in the interest of the public at large.

Take the matter of Canadian news in United States newspapers. We have excellent men in the Canadian information service at New York and other places in the United States, but the whole policy of this government with respect to information is, in my opinion, misguided. I would ask the minister this question. Is he satisfied that in United States newspapers we are getting a fair share of Canadian news? I ask that question because, if we are to spend money on a Canadian information service over in the United States, we have a right to ask for some results. I know it may be said that in broad matters of advertising it is hard to lay your finger on results, but the one thing that strikes every Canadian visiting in the United States is the great lack of Canadian news in United States newspapers. There is hardly anything about Canadian business or Canadian affairs at all. The United States is a great country which, of necessity, is interested in its own affairs, although it is interested in ours too. I do not think the minister will be able to show, even though we have this great Canadian information service covering the United States, that it is contributing to the spreading of Canadian news abroad any more than the ordinary newspaper services. Indeed, sometimes I feel that the setting up of this information service is a reflection on the regular news services which did such a good job in Canada and the United States in the war and in peace. If this Canadian information service is not for the purpose of duplicating the ordinary news services, then it falls into a category of its own, the category which I have suggested, where it must eventually become simply a perpetuation service of the government in power.

We have moved far away from the olden days when political parties used to try to get their own publicity across to the people. Now, if you are the government, you do not have to spend your own money for political purposes; you spend other people's, even the money of those who are trying to put you out of power. That results in an impossible situation.

You may have the very best kind of men in the Canadian information service; but, after all, everybody is human, and who is it that pays the men in the Canadian information service? Is it the opposition? Is it the C.C.F.? Is it the Social Credit Party? No, it is the government. And who is it that has the right to hire and fire these men? Is it the opposition? Is it the C.C.F.? Is it the Social Credit Party? No, it is the government. There is not a practical businessman in this parliament who does not know that those who have the right to hire and fire have some little say at all events in how you shall do your work. We might just as well tear the mask off this whole thing and show it in its proper perspective. In doing so, I suggest to those connected with this service that they take what has been said here as a warning that in the years to come they may find themselves drifting into a position which they do not desire, of finding themselves part and parcel of the government.

My good friend, the hon. member for Winnipeg North Centre, a few moments ago spoke of the scarcity of information published other than that which has to do with the government. I remember that in the war, judging by what was published, one might get the idea that only those who supported the government had anything to do with the war at all. There was one exception, a pamphlet, which contained a symposium on education to which both the minister and the leader of the C.C.F. party made admirable contributions. I was not at all satisfied with my own contribution, but they published it, perhaps for that very reason. That was the only occasion in the whole war, so far as I am aware, on which a government information bureau even mentioned that the opposition and other parties were sharing in the war effort. I am not going to blame anybody for that, because human nature runs through all political parties. Sometimes it is said that human nature differs with different political parties, but I have never been persuaded of that; and having the money in their hands, having the power in their hands, and having such an instrument as the information service in their hands like the government had, it would be too much to expect of human nature that they would not use it. I point that out, because it seems to me to go to the root of this whole matter of publicity and information. The government are trying to sell themselves, and by artificial means. There is one sure way for the government to sell themselves, and I am not satisfied that they are doing it very well just now. Let them have a policy which meets the wishes of the people and carry it out, and they will not need all this information, which is paid for by people, many of whom do not support them.

In conclusion, I had hoped that the hon. member for Winnipeg North Centre would not have supported the expenditure of this money, although I am, in a way not surprised that he did. I wonder whether the government realizes that the group sitting to my left regard them quite differently from the way they regard themselves. I believe the ideas of the C.C.F. are completely erroneous, and I hope and believe that what they have in mind will never come to pass. But they regard the present government as a sort of group of political John the Baptists, paving the way for something which is coming later, though let me add that there is no comparison of any sort between the two sets of circumstances. But I hope the government will come to its senses some time and realize what it is doing. In each one of the measures wherein the C.C.F. are supporting the government, they are doing so because they think it makes a little easier for them if, through a lapse of memory and judgment on the part of the Canadian people, at any time in the next fifty years, they should come into office in this dominion. That is one of the reasons why the C.C.F. on so many occasions are supporting the government.

So far as the Canadian information service is concerned, this party looks with grave suspicion upon the whole move which is now being made. Here was a board set up, the war information board, we were told, for war purposes. But, as has happened to a lot of other things established during the war, the government is now busy legislating to try to perpetuate in peace what they set up ostensibly for the purpose of the war. All over the country the people are asking, does the government know the war is over? With the evidence of the present proposal and of many other moves which have been made in this house since the session started, it is not to be wondered at that such doubts arise in the public mind.

I oppose the proposal for these reasons, and others which I will not mention now because I desire to see the resolution further debated, not in order to support the legisla-

tion, because we desire to reserve our rights to see whether in committee we can obtain from the minister some small shred of evidence which would justify parliament in setting up this new information service. I for one have not been convinced of its necessity.

Mr. SOLON E. LOW (Peace River): Mr. Speaker, I have just a word to say on the resolution before it is put to the vote. I can quite understand the anxiety of the government at times to have information disseminated to the people, and I am in sympathy with the idea of furnishing to the people of this and other countries full information of what is going on in Canada. Democracy cannot work successfully unless it is informed of what is going on; furthermore, it is impossible for us to take our position in the world unless accurate and dependable information is available through which the people of other countries can properly and correctly assess Canada's position.

However, I am not so sure that the form of service which was set up during the war and as a result of the needs of war can possibly serve in time of peace. My mind goes back to a debate which was held in the latter part of the session of last fall, when Bretton Woods came up, and I suggested that, in an effort to get the information before the people, the government make use of the government-owned radio, giving time to the various parties in this house to place before the people their views respecting this most important measure, and asking the people to let us know what they thought about it before the matter was finally disposed of by the government. I did not see very much anxiety on the part of the government then to let the people know. As a matter of fact, it seemed to me that everything possible was done to prevent the people from understanding what Bretton Woods was about; and I may tell the government that if our people had been fully informed they would not find themselves in the embarrassing position they are in now with respect to Bretton Woods, where, having committed themselves unalterably, they found it necessary in their negotiations for a wheat agreement with Britain to disregard completely the terms of Bretton Woods, to which they had committed themselves. They are now embarrassed, and they are going to have some trouble in getting out of a peculiar position.

The people of the country ought to know, and are entitled to know, and if the minister will bring in a proposal which makes it possible for the people to learn what they want to know about what is going on, rather than what the government want them to have, the government will not have any trouble in getting my support. But if they bring in a facsimile or even something resembling the wartime Canadian information service they will not have the support of my group; we can assure them of that.

My mind also goes back to the time of the election, when I received out west an invitation to contribute, as the leader of a political group in this country, to the overseas information service to the troops that was being supplied by the Canadian information board. I was told that I must put my whole programme—that is the whole programme of the Social Credit Association of Canada—before the troops overseas in 500 words. I inquired how much space was being given to other groups. I found that the Progressive Conservatives were allotted between 1,600 and 1,700 words; the Liberals, of course, were given 2,200 words. Now, how much more important is it for the troops to understand the whole of the Liberal programme than the whole of the programme of the Social Credit party or the Progressive Conservatives or the C.C.F.? I say that all are entitled to equal treatment. It is the only principle upon which we can have justice. But, Mr. Speaker, we were forced to condense our whole programme, a vast philosophy, just as important and vast as the Liberal philosophy—

Mr. BURTON: They have not got one.

Mr. LOW: —into 500 words, to get it before these people overseas, who were thereby to make up their minds whether to support Liberals or Social Crediters or Conservatives or the C.C.F.

Mr. FULTON: The government would find it more difficult to explain theirs.

Mr. LOW: These are some things I have in mind when I think of a Canadian information service, and I warn the minister and the government that if they intend to bring in a measure which will perpetuate that sort of thing they cannot hope to get the support of the opposition, certainly not this part of it, anyway.

There is one other thing I should like to say. I do not believe that the minister should be commended at all for bringing in this measure at this stage of the session. Here is one more example of the government waiting until very late in the session to bring forward a most important and controversial measure. When the Prime Minister (Mr. Mackenzie King) rose in his place the other day and said that it would not be very controversial I had to

restrain myself from rising and asking him about Bretton Woods and suggesting to him that this might have just as many repercussions. But here the minister comes in, in the heat of summer, when we are burdened and battened down so thoroughly that we can hardly breathe, and asks us to pass a measure of this kind in a hurry. If we have to stay here until Christmas we are going to find out what it means, and we will determine to our satisfaction that it is a measure which is intended to disseminate factual information of every kind, whether favourable to the government or not, to the people of Canada. If the government brings in a measure of that kind it will receive my support. If it does not, I can promise active and dynamic opposition.

Mr. G. K. FRASER (Peterborough West): I have here a list of publications put out by the Canadian information service, starting with an airmail bulletin. This is practically of no use in view of the fact that news carried by it is carried by the press not only throughout Canada but throughout the rest of the world. Then there is an airmail bulletin in Spanish. Why Spanish I do not know. I had understood that the airmail service was wired to different parts of the globe and sent out through the consular service, but from what I can gather it always arrives too late to be of any value. Next we have the *C.I.S. Weekly* and the press survey. This, I understand, goes to the newspapers. I have read editorials and articles in newspapers, since the end of the war, with reference to the information service that goes to the press, and in every article it is stated that the material always arrives a day late and therefore goes right into the wastepaper basket and is never read. That is weekly. As far as monthly publications are concerned, we have "Recent poll releases." I do not know what that is and I would ask the minister to explain it. As regards occasional publications, we have the "Canadian Cook Book" for British brides. That is a very good idea, but I suggest that the cook book would be better issued by the Department of Agriculture. That department at present issues various folders on how to cook meats, chicken, this, that and the other thing; it gives recipes for preserving and so on, and it is therefore only right that the Department of Agriculture should do that work and not the information service. Why should we have different services in the government doing the same work? Then we have the "Canadian Handbook for Mexican Book Fair." I believe that some 250,000 copies were issued. This is not the sort of work that should be done by the Canadian information service. A book of that kind should be got out by the Department of Trade and Commerce. They know what they are talking about and Canadian information service does not. Then there are reference papers. We get these in our mail, but the information given in these papers is, in most cases, stale, because we have it in our own *Hansard* and other publications and in *Votes and Proceedings*. They have the same in French. These are the publications that are put out at the present time.

Besides all that, I understand the Canadian information service do a lot of work for the film board and other departments of government. I feel, as many newspaper editors across the country do, that this service should be discontinued at once, because it is a waste of money and any advertising or information that goes out should be sent out by the different departments of government.

Information service has also sent out speakers throughout the country and paid their expenses. That is something I am very much against. I tried to get some information in this connection and, while I obtained some, I did not get all that I wanted, because under wartime information service speakers were sent, I understand, as far as Mexico.

I suggest that the minister should drop the resolution right where it is. The people do not want it. It is a waste of their money and it should be done away with, and the sooner the better. The Minister of Finance (Mr. Ilsley), said last night that if we cannot give him some ideas on how to curtail extravagance he will have to think of ways and means. I thought then it was about time he began thinking of ways and means, and I hope that the minister who has this legislation in charge will decide right now to drop the resolution.

Motion agreed to and the house went into committee, Mr. Macdonald (Brantford City) in the chair.

Mr. FULTON: As I intimated before, there are certain questions regarding which we should like to get detailed information from the minister. If he would prefer to have me state them one by one I shall be glad to do so. In the first place, we would appreciate it if he would give in some detail the position with regard to the relation between Canadian information service and, for instance, the Department of Trade and Commerce and the Department of External Affairs. We were hoping that he would give that information with specific reference to these two departments and later give some general explanation of the relation between the service and the

publicity branches of government departments generally. I refer to these two departments in particular because of the large items for publicity overseas work in these departments—to be found at pages 8, 51 and 53 of the main estimates.

Mr. CLAXTON: Perhaps I might answer the question at once. In referring to the item on page 8 of the estimates, amounting to $2,436,325 for representation abroad, the hon. member is going a long way from the subject matter of this resolution. That item on page 8 reads: "Including salaries of high commissioners, ambassadors, ministers plenipotentiary, consuls, secretaries, staff", and the figure is $2,436,325. Of course this item covers all the cost of Canada's foreign service in external affairs and does not include anything for public information services. There is no duplication whatever.

Mr. FULTON: To make the point clear, I should like to repeat what I said in the course of my general remarks, namely that I felt it would probably be more efficient to charge these people in the Department of External Affairs or the officials of the Department of Trade and Commerce with the work which the minister intimated would be done by Canadian information service abroad. I drew attention to the item in External Affairs, because it indicates an extensive representation in the Department of External Affairs abroad, and I would say offhand that there is sufficient staff there to carry out this work.

Mr. CLAXTON: I shall be very glad to deal with that, and since it is probably the most important question that can be raised on this resolution, I should deal with it at some length. In the first place, I can assure the hon. member that it is not new to us to consider whether or not to institute this service. I hope I can lay it down as a general principle, agreed to, I trust, by all hon. members, that they recognize that Canada has reached the stage in her development and in her status, and the world has reached the position in which we are required to have instruments abroad for extending information about Canada. It must be accepted that everyone in Canada would like to see people abroad in other countries have more information leading to more knowledge, more understanding and more good will about Canada. I believe everyone will agree with that. I think they would also agree that, in view of developments in the machinery for intercourse with other nations and of the materials for public opinion, something more is needed than we had before the war. I believe it was the hon. member for Winnipeg North Centre who said that a good many things had developed during the war. I should like to supplement that if I may and say that perhaps war itself came about more because of a lack of understanding between nations than anything else, and this was due primarily to ignorance. It was due to prejudice; and the best cure for ignorance, prejudice and intolerance that we have is information and knowledge which may lead to understanding and good will. Therefore I believe that every nation and every international organization have found it desirable to increase the facilities which have hitherto existed for the interchange of information as the basis of understanding, good will, tolerance and, we hope, cooperation. To a very considerable degree that was a war-time development.

It was the absence of services before the war which certainly contributed to this lack of understanding. Therefore I believe it is recognized everywhere that something should be done. It is desired that it should be done as efficiently, as fairly and as economically as possible. The business that we have set ourselves to is to see how that can be done, and that is why the questions and observations of the hon. member for Kamloops are interesting on this point and must be taken seriously.

Mr. KNOWLES: Is it not true that there are some things that diplomatic representatives cannot properly do?

Mr. CLAXTON: Yes.

Mr. KNOWLES: But which can be done better by a service of this kind?

Mr. CLAXTON: That is our submission.

Mr. GREEN: Give us an example. Can the minister tell us in what manner this Canadian information service endeavours to place the Canadian viewpoint before the people of Russia.

Mr. CLAXTON: Yes, certainly. I shall deal with both of these questions.

To get back to the questions of the hon. member for Kamloops, the Canadian information service is planning to have a supervisory committee on which there will be representatives of the Departments of External Affairs and Trade and Commerce. They will be the only two government departments represented as such. They are the government departments primarily interested in seeing to the dissemination of information about Canada abroad. The reason why we believe it is better that the service should do the job rather than either External Affairs or Trade and Com-

merce is that in order to perform such a service you should have technical knowledges, skills and experiences which are not ordinarily to be found in the Departments of External Affairs and Trade and Commerce. That is, it is desirable that we should have a group of people who are journalists, people having journalistic experience, a group of people who have had editorial experience and who have general publicity or educational experience, as well as artists and writers. Ordinarily you do not find these in the foreign offices of the world, and you do not find great numbers of them either in trade and commerce, or anywhere else. But if you do find them somebody has to pay them, provide for them. From that point of view we have thought it desirable that the group of people primarily concerned with this in the foreign field should be collected together and put in one service, but that that service should be closely coordinated with the two government departments with which it ordinarily has to work closely, namely External Affairs and Trade and Commerce.

Second, a member of a Canadian mission abroad, either in a high commissioner's office, an embassy or a legation, has a diplomatic status which gives him certain amenities. It also means that he must conduct himself in certain specified ways. It is not easy for him to have easy relationships with the press in the locality in which he is accredited in the same way as it is for somebody who has not diplomatic status to have these relationships of easy social intercourse, business relationships and the like which ordinarily exist between the representatives of all information services and the press in the country to which they are accredited.

At six o'clock the Speaker resumed the chair and the house took recess.

After Recess

The house resumed at eight o'clock.

ARMY SUPPLIES

PRESS REPORT AS TO DISCARDING OF SHOES AND SLIPPERS

Right Hon. C. D. HOWE (Minister of Reconstruction and Supply): Mr. Speaker, by consent of the house I should like to answer a question asked on July 12 by one of the hon. members opposite with respect to boots and shoes reported to have been dumped in a public place in Montreal. If I can have that consent which is necessary, I should like to make my statement at this time.

As a result of joint investigation by the army and War Assets Corporation, I am in a position to inform the house as follows:

1. That no footwear was placed on the Point St. Charles dump by any army installation or by War Assets Corporation.

2. A check on army vehicles has revealed that nothing but ashes and garbage was carried to Point St. Charles dump between May 1 and June 10, 1946.

3. Mutilation of condemned footwear has not been army practice since 1941.

4. All surplus army footwear is disposed of through War Assets Corporation, and at no time has such material been disposed of otherwise.

5. That a major proportion of surplus army footwear is handled at the Valleyfield depot of War Assets Corporation.

6. Canvas shoes which are found by qualified inspectors to be fit for further use are reconditioned as necessary and sold in the main to international relief agencies.

7. Canvas shoes which the inspectors find are not fit for further use, and cannot be repaired, are sold as scrap.

8. Used leather boots and shoes are examined by the inspectors and repaired if at all possible, but if not repairable are sold as scrap.

9. No canvas or leather footwear which is received in a repairable or usable condition by the corporation is scrapped by the corporation.

10. It has been determined that the only surplus government footwear which could have been placed on the Point St. Charles dump was that sold by the corporation as scrap leather to private interests, who after investigation and examination of their purchase, decided that the cost of salvaging by separation of the various component material would be greater than the revenue that could be derived from the sale of these materials. Apparently the private interests decided to accept the initial cost as a loss and dumped the footwear.

Mr. FULTON: Are goods turned over by War Assets Corporation to private interests ever turned over subject to any conditions, or are they turned over with no conditions attached?

Mr. HOWE: Nothing that government inspectors consider is usable is sold to private interests. But if it is sold, it is sold as scrap at scrap prices, for such disposition as the buyer may wish to make.

Mr. FRASER: I understand that all these shoes on the dump were split or slit with a knife. Would War Assets Corporation sell them in that way? I should think they would sell them as good shoes. They would not do the splitting?

Mr. HOWE: No.

Mr. FRASER: All the newspapers which carried the article said that the shoes were slit or split so that they could not be used as shoes or boots, but could be used as slippers.

Mr. HOWE: I am told that the inspection board, which are in charge of operations at Valleyfield for the government, on occasion have slit a shoe which is not repairable. It is not their universal practice; but to distinguish shoes condemned for scrap from shoes which are repairable, from time to time it has been the practice to slash a shoe. That is just to make sure that an attempt is not made to repair it.

Shoes that are repaired are sold to relief agencies, and must come up to a certain standard set by those agencies. It may be that the government inspection staff slit certain shoes; but that is the only agency which could possibly have done so.

Mr. FRASER: The Montreal *Star* of yesterday showed pictures of these shoes. On this one pair—and the article stated there were others like them—the sole was absolutely new. It had not been used at all, and it was stated that the uppers were the same, except that they had a slit in them. The government is investigating—

Mr. DEPUTY SPEAKER: Order; there is no debate on the minister's statement.

Mr. FULTON: May I ask this question, Mr. Speaker, subject to your ruling. Who classified the shoes as repairable or irrepairable? Are they classified by the services before they are received by War Assets Corporation, or by War Assets Corporation after they are received by them?

Mr. HOWE: They are declared surplus to War Assets Corporation. They go to Valleyfield, to the War Assets Corporation repair depot at that point. There they are inspected by the inspection board which—

Mr. FULTON: What department?

Mr. HOWE: The Department of National Defence. It is the inspection board that has inspected all purchases by the government for war purposes throughout the last five or six years. If any shoes are slashed, it is my intimation that that is done as part of the inspection system.

Mr. DEPUTY SPEAKER: Private bills.

PRIVATE BILL

CONSIDERED IN COMMITTEE—THIRD READING

Bill No. 248, to incorporate Prescott and Ogdensburg Bridge Company—Mr. Croll.

CANADIAN INFORMATION SERVICE

COORDINATION OF AND ASSISTANCE TO GOVERNMENT INFORMATION SERVICE

The house resumed consideration in committee of the following resolution—Mr. Claxton—Mr. Macdonald (Brantford City) in the chair.

That it is expedient to present a bill to establish a Canadian information service for collecting and distributing abroad information converning Canada and to coordinate and assist the information service of the government and to provide for payment of salaries of staff and expenses of the service from moneys appropriated by parliament.

Mr. CLAXTON: Mr. Chairman, when the committee rose I was answering some of the questions that had been asked and some of the comments that had been made by some hon. members and was trying to show why it was considered necessary to set up an information service to do work which I think every one admits should be done in order to ensure that Canada shall receive adequate presentation abroad. I said that it had been considered that this should not be part of the functions either of the Department of External Affairs or of the Department of Trade and Commerce, first, because it needed people having special and particular qualifications and, second, because it had been found that the members of this service, not being members of the diplomatic corps, were able to maintain relations with members of the local press and others which enabled them to discharge their informational functions more effectively than could be done by members of the ordinary diplomatic services.

I would point out that the officers of the Department of External Affairs and of the Department of Trade and Commerce who are located abroad are already hard pressed and fully occupied with their own particular functions. It is quite evident from the examination we have made that it would not be possible for the offices of these two departments in the main centres to render additional service without the appointment of additional officers. Of course both departments do work along

informational lines, and I think anyone who knows anything about the quality and calibre of the people representing Canada in External Affairs and Trade and Commerce will admit that they are doing admirable work. That is recognized by everyone and by the peoples of other countries.

We do not appoint special information service officers or set up a separate office unless there is a real need which cannot be met through these two departments. This has been found to be the case in New York, Washington, London, Paris and Canberra. In those places the officers of the Canadian information service are definitely subordinate to the senior officer of the Department of External Affairs and work very closely with him. I should like any hon. member who has visited New York, Washington, Paris, London or Canberra and who has seen what the representatives of the Canadian information service are doing in those places to tell us in what respect they have not done valuable work, work which needed to be done in the interests of Canada, work which should be done either by them or by the diplomatic representatives but which to be done by others would require the appointment of additional staff.

I should like to hear about that, because I have been concerned with this for two years and I have heard nothing but praise about the work these officers who represent Canada abroad are doing. I have heard no complaints except that they do not have enough money to do an adequate job and do not have an adequate staff.

These officers have been chosen solely with a view to their suitability for the positions they occupy. Some reference was made by the hon. member for Broadview (Mr. Church) to the luxurious offices in New York. I dare say that those so-called luxurious offices have been visited by many hon. members and by many representatives of the press. We have heard from them—when I say "we" I mean the Canadian information service for which I am speaking—nothing but praise. I have not heard of any complaint about the offices or services rendered. I think if anyone goes to those offices he would find that they are modest, that they are rather overcrowded but equipped to do an adequate job along the lines I have indicated.

The person who set up the office in New York in the first place was Mr. Harry Sedgewick, managing director of CFRB, a gentleman not known generally to be a supporter of this party. I think he did an excellent job there. He carried on through the years of the war and when the war reached a state where he thought he could return to his own business, he did do. In Washington we had Mr. Hugh Campbell, the public relations officer in Winnipeg for the Canadian Pacific Railway company, now public relations officer everywhere for that company. He did a notable job in Washington, not only for the Canadian information service but for the armed forces and the people of Canada. I have never heard that he was an active supporter of the Liberal party or of any party.

I should like to deny with all the vehemence possible the charges which are implied or stated by hon. members or by others outside that there has been any sign of political propaganda about any of these activities at any stage. I think it is remarkable that in the course of this debate there should have been such references and insinuations without a single, solitary instance being given of any case where it has happened. That a country should have carried on an information service through one means or another from 1939 to this date, with no proof of that kind of activity ever being brought forward and supported, is a remarkable achievement and a great tribute to the people who carried on that service. It is also a recognition of the reality of the position as described by the hon. member for Winnipeg North Centre; that is, that a responsible government, which ours is, leans over backwards to ensure that nothing like that could possibly happen.

Was there ever a better example of this than when the Canadian information service met the request of the armed forces for information about the election and distributed to the armed forces overseas the issue of *Canadian Affairs* which described the aims and objects of the political parties.

Mr. MACDONNELL (Muskoka-Ontario): Does the minister approve the division of space as described by the hon. member for Peace River?

Mr. CLAXTON: I had nothing whatever to do with the division of space; no member of the government had anything to do with it, and no employee of the government decided it.

Mr. JACKMAN: Who fired the editor?

Mr. CLAXTON: There was no firing of the editor.

Mr. JACKMAN: He got thrown out of his job.

Mr. CLAXTON: The hon. member is talking about something which has nothing whatever to do with this matter, and which does

not come within the scope of the activities of the Canadian information service. I will tell the committee what happened.

Mr. KNOWLES: Yes, do. Tell the whole story.

Mr. CLAXTON: The armed forces felt that it was desirable in the interests of the men who wanted to vote in the election that information should be placed before them by the political parties. The Canadian information service, which published fortnightly *Canadian Affairs,* which ran through some fifty-six editions, and which did, I think, a notable job, was the vehicle chosen by which this might be done by the Canadian information service. The Canadian information service, looking at the precedents established in connection with the allocation of free time for political broadcasting over the CBC network, called into consultation, just as the Canadian Broadcasting Corporation had done in connection with broadcasting, representatives of the political parties in Canada which came within the general scope of the white paper regarding broadcasting which was issued in 1939, as brought up to date in 1944. That included the representatives of the political parties which had national offices in Ottawa. They were called into consultation. I am sorry that the party represented by the hon. member for Peace River did not come within that qualification at the time. It was no decision of mine or of the government's. It was decided on the basis of the test that had been laid down, and representatives of the Progressive Conservative party, the C.C.F. party and the Liberal party met and agreed on an allocation of space which roughly approximated the allocation of time for political broadcasting. It was done on that basis. The parties cooperated and as far as I know, they stuck to the rules which their representatives had agreed to or laid down.

The issue went overseas. It required a tremendous feat of organization to get it into the hands of the troops in time. I can tell the committee this. I have heard from every side, irrespective of political affiliations, that the sailors, soldiers and airmen of Canada appreciated that service and regarded it as a fair way of treating them in the fairest election ever held in Canada in war time.

Mr. JACKMAN: The war is over.

Mr. CLAXTON: But I am answering a remark that has been made, and I am not going to allow the fact that the war is over to enable people to make charges without my being able to reply to them. I think the hon. member would want me to be allowed that privilege.

It was very interesting indeed to read that in the British House of Commons—I can give hon. members the reference—the question was raised why they could not do the same thing for the British forces because it had succeeded so well with the Canadian forces. I will tell hon. members that never, either in my capacity as a member, fairly active in the ranks of the Liberal party, or as minister charged with the responsibility to parliament for the administration of this service, have I heard of any complaint from any source about the way in which that operation was carried on.

Apart from vague and general remarks and insinuations, I have never heard of any established case where it could be brought out that this instrument of publicity and public information for the people of Canada has been used for partisan purposes. The hon. member for Peel, my very good friend, referred to the occasion when he, the hon. member for Rosetown-Biggar and myself took part in a debate in Montreal. I must say that I thought, just as he did, that I got the worst of it on that occasion—

Mr. GRAYDON: I am quite sure I did.

Mr. CLAXTON:—because speaking as a supporter of the government as I was at the time I thought I had to stick closely to the constitutional and legal situation in which the federal government found itself. But I must say that, apart from that notice in *Canadian Affairs* to which he referred, I do not remember any issue of *Canadian Affairs* ever referring to the Liberal party doing this or to the Liberal party doing that. Also I do not think any official or officer of the Canadian information service thinks of his salary as being paid by the Liberal government of Canada. He thinks of himself as a servant of Canada; I think they all do and will continue to do so, just as we regard them. I think they have served the people of Canada exceedingly well during a difficult period.

So I feel that, in view of the fact that I do not know of any case which can be brought forward to support the assertions which have been made, this service has done an admirable work and done it in the interest of the people of Canada.

The hon. member for Vancouver South asked me to give an example of the way in which the Canadian information service worked, and then he wanted to know—and I wonder if he really regards his question as

fair—how the Canadian information service endeavoured to place the viewpoint of Canada before Russia.

Mr. GREEN: What is unfair about that?

Mr. CLAXTON: It is recognized that it is exceedingly difficult for anyone to place any point of view before the people of Russia except through Russian agencies. I should say there that we send our representative in Moscow, our ambassador, Mr. Dana Wilgress, all the material there is. Also the government of the U.S.S.R. has in Canada its press agency which receives all the information that goes out to similar agencies.

Mr. GREEN: You mean, regular news agencies?

Mr. CLAXTON: Regular news agencies—Tass—and there is no other way that I know in which we could do it. I hope that answers the hon. gentleman's question.

Mr. MACKENZIE: May I say a word? As a rule I do not speak very long. I was in Holland, a year ago this week, with the troops. They had just received a copy of *Canadian Affairs*. I was through the army headquarters, all the divisional headquarters and all around the various units there; and they were absolutely splendid in their appreciation of the issue of *Canadian Affairs*. I am not speaking now merely of Liberals, because most of those I met were supporters of my hon. friends opposite.

Mr. KNOWLES: Do not forget how they voted overseas.

Mr. MACKENZIE: They said that was the finest thing done, that Canada was able to send over from all the parties an expression of their political philosophies and political ideals.

Mr. GREEN: Of course we are dealing with a set-up that is to be made permanent and carried on into peacetime. If the Minister of National Health and Welfare thinks the question about Russia was unfair, will he explain how this information service carries on its work, say in the Netherlands, or in Norway, or in Brazil?

Mr. CLAXTON: With regard to Brazil, we have in our ambassador, Mr. Jean Desy, a person who speaks now the language of the country, who is well recognized as being a very good representative of our country. He receives from the Canadian information service every day the Canadian airmail bulletin; he gets our material weekly; he has been supplied with a library of books; he has his inquiries which are addressed day by day to the office in Ottawa, and promptly answered, and he has also outlets for the kind of information which is furnished. In the case of Brazil a considerable quantity of the publications are issued in Portuguese, and Mr. Desy himself has been, I think, one of the most effective people in ensuring that knowledge of Canada is distributed abroad.

Mr. GREEN: In that case is the purpose largely to promote trade between Brazil and Canada, or what is the purpose?

Mr. CLAXTON: Of course, to promote trade as well as to promote good relations in general. The trade commissioners who are there do their work in their own sphere, but they do not have the same opportunities of getting together information as have the people in Ottawa who are handling this service to send it to them and give them the means whereby they can carry on their work of representing us abroad. That applies both to the external affairs and trade commissioners in places like Rio.

Mr. LOW: With regard to this matter I brought up in connection with the election service, since the minister has mentioned it I think I should clarify one or two points. We appreciate the service we got, and I think it did good. But what I was trying to bring before him was the inevitable position which it puts us in and puts the government in to have a service of that kind sponsored by the government. Let me make that clear.

We were not asked to sit in with the committee that allocated that time. It was known perfectly well that we had an organization, just as it was known that we had an organization in the case of CBC and the allocation of free time for political broadcasts from the CBC. Whether our office was in Ottawa, or Toronto, or Hamilton, or wherever it happened to be, we had a head office and an organization there. Therefore we should have been brought in. The first thing I knew about the matter was just a few weeks before the actual polling day, when I was sent a letter saying, "We are allotting your party 500 words in which to place your programme before the forces." I found that the allocation of time was on the basis which I mentioned this afternoon—500 words for ourselves; I do not recall what the C.C.F. had; the Progressive Conservatives were given between 1,600 and 1,700 words, and the Liberals between 2,100 and 2,200 words. If the Canadian information service used a formula arrived at by the CBC for the allocation of free time, I will say this, that the CBC now give as an excuse for the formula which was applied the fact that it was

drawn up in a committee of this house. When we had a committee meeting a short time ago composed of representatives of the CBC and of all the parties in this house we found that no one on the government side was willing to change the allocation, because they claimed that the government should have a priority on the time, that they should have more time in which to broadcast to the people their policies and make representations with respect to those policies. I cannot quite understand why the minister cannot see this, that the position that the government are in inevitably, when they bring in a service of this kind and set it up, is that the people who come to the government for pay must take the position that the government is preferred, and they will take that position and will give them more space and more opportunity than they will give anybody else. That is only natural, unless the minister himself says to his Canadian information service, "We want you to be fair about this thing." If freedom of speech is to be tolerated in this country it must be free to everybody and equally free to everybody. That is the position we take. I have seen this type of thing worked before and I know the weaknesses of it. I know the minister himself has to take some responsibility, regardless of what he now says, that he did not have anything to do with it. The government did have something to do with it. Had the government stepped in and said, "We want this thing to be fair; we want the space to be fairly allocated," that is what would have been done. They did not do that, so that the Canadian information service would naturally say, "We have to give the government some preference in the amount of space." I do not see that they deserve any preference. Surely every political organization in the country that qualifies as a national political organization ought to have freedom of speech and freedom of publicity on anything which the government undertakes to do to get information to the people. If they are not going to undertake a service to get information to the people, well and good; we will take care of it ourselves, but if we are instituting a service let us institute it fairly and let it be free to everybody.

Mr. GRAYDON: During the recess there was brought to my attention by one of the citizens of Ottawa a matter which I had entirely forgotten, and I want to ask the minister a question with respect to it. Is it correct that one of those persons convicted of espionage was with the Canadian information service or the wartime information board; and, if so, who was that person?

Mr. CLAXTON: As far as I know, there was no one actually in the employ of the Canadian information service or the wartime information board who was connected with the espionage case or the report of the royal commission. There were two persons who had been seconded for a time from the armed forces for services in connection with the wartime information board and who there performed functions which were common to the wartime information board and the armed forces, but neither of them was ever on the strength or on the payroll of the Canadian information service.

Mr. GRAYDON: What positions did they hold? The minister indicates two. I heard of only one. What positions did they hold and how long were they with the wartime information board and the Canadian information service?

Mr. CLAXTON: I should preface this by saying that in this case there has not yet been an adjudication by the court. As hon. members know, Squadron Leader Poland was seconded from the Royal Canadian Air Force to the wartime information board, effective November 14, 1944 and was engaged in duties in connection with the board and the armed forces in the production of the *Canada Digest*. In May, 1945, his duties with the wartime information board ended. Prior to his undertaking these functions he was on the ordinary staff of the Royal Canadian Air Force at headquarters. Captain D. G. Lunan was seconded from the Canadian army to the wartime information board on November 6, 1944. He was attached to the information to the armed forces section where he was engaged in the production of *Canadian Affairs*. His period of secondment to the wartime information board ceased on February 28, 1946.

Mr. GRAYDON: I used the word "convicted". I presume these men are both still on trial and have not been convicted. I am not sure of the names and was only seeking information. In view of the fact that the matter was before the courts, I thought we should not discuss it inasmuch as it would not be justice.

Mr. FRASER: The minister mentioned that the ambassador to Brazil receives the airmail bulletin and that is how he helps to build up Canada in Brazil. I have here a copy of Monday, June 24, 1946, and I do not believe that any of this information is of much use to them in Brazil:

New army R.C. chaplain named. Brigadier Gibson heads M.P. 6. Colonel Bogart heads M.P. 3. Canadian merchandise exports decline. Births, deaths and marriages increase.

There is a whole page of it and not a bit of it of any use to the ambassador there or to the people of Brazil. It is absolute bunk.

Mr. CLAXTON: The information contained in the airmail bulletin is not bunk. It is a report of events that happened that day, and of course different events take place from day to day. This bulletin is issued daily to all representatives of Canada abroad and its circulation totals 890 odd daily. It goes in Canada only to those who specially request it and have reason for asking for it. It is sent by air mail. The hon. member for Peterborough West suggested in his previous remarks that it is slow, that the ordinary sources of Canadian news are sufficient to carry the news contained in it. Well, this bulletin goes to fifty-two countries or colonies in which very little Canadian news is received. In none of them is there such regular news as that given in the airmail bulletin. It is sent by air mail because that is the most expeditious way of forwarding it without the cost of cable. Let me ask the hon. member whether in Brazil, for example, or in China, or in any of the other countries, except perhaps the United Kingdom and the United States, there is anything like the same news provided as quickly about Canada as is contained in the air mail bulletin. It is a succinct summary of news of each day. It contains no editorial opinions, nothing but bare news, and the news of course varies from day to day.

Mr. FRASER: This airmail bulletin is of use only to ambassadors or consuls in the different countries, the persons who really write and ask for it, and the information that is contained in the bulletin is not exactly what those people want. They would get better information from the Department of Trade and Commerce, and that department has its own bulletin and employs its own men to get out its information. Through the Department of Trade and Commerce information is supplied throughout the world and that is what these people want. They do not want the stuff contained in an airmail bulletin of this kind. This is only a sample. All the others that I have seen are exactly the same. The minister says that some are printed in French, but the people in France do not want them. Others are printed in Spanish. But who is going to read them in the Argentine, where Spanish is spoken, or in Chile, or Columbia, or Ecuador, or Peru.

Mr. CLAXTON: This bulletin is sent to Canadian representatives abroad so that they may keep continuously informed in a summary way about events at home and they get news much more quickly than through any other source. It is also for the convenience of those who wish to pass on the news to people who speak some other language. These bulletins are designed primarily for the information of the people who represent us abroad, but it is given in a form which enables them to use it in passing it on to others who may be interested in the particular subject. The hon. member says that he finds the particular number to which he refers of the character that he has described. I receive these bulletins regularly, and I know they contain as accurate and succinct a summary of essential Canadian news as it is possible to draw up. They go out and are appreciated by officers of the Department of External Affairs and of Trade and Commerce and by the Canadian information service officers and any other officers of the Canadian service abroad.

Mr. FRASER: In my opinion a bulletin of this kind sent out by the Department of Trade and Commerce in cooperation with the Department of External Affairs would give information that was worth while to people in those countries instead of giving local news such as we find here. For example, I saw this item in the Montreal *Gazette* of this morning with reference to this resolution:

> External Affairs has publicity men attached to many of its embassies and legations in other countries, and Trade and Commerce properly has such services to help promote foreign trade. There are Canadian publicity people in many parts of the world already, and there is no need for more.

I agree with the article in that paper.

Mr. CLAXTON: Earlier in the day I referred to the Montreal *Gazette's* news report from Ottawa with the editorial comment. The Department of External Affairs has no publicity officers abroad except those supplied by the Canadian information service. The Department of External Affairs and the Department of Trade and Commerce are represented in the advisory committee of the Canadian information service, and I should also add that they are represented on the working committee. There is a working committee set up with representatives of the publicity branch of the Department of Trade and Commerce. Its exhibition commissioner and its tourist bureau and the national film board and the CBC international service are on this working committee. They meet every week to work out the coordination of material which should be sent out and the coordination of activities. They work together in the closest possible way. Only to-day I was told that there are a number of communications

by telephone and by personal interview between these three every day. If we did not have the Canadian information service providing the service for External Affairs, the Trade and Commerce officers and other officers of the Canadian government I feel, and I think the committee will agree, that it would have to be provided in some other way. It seems to us to be most economical that it should be done by one central service rather than by a variety of services. That does not mean that External Affairs do not send to their officers abroad special information related to external affairs. It does not mean that Trade and Commerce do not send to their officers abroad special information on general matters relating to Canada as a whole. The Canadian information service, working with External Affairs and Trade and Commerce, sends out the material.

Mr. GREEN: It might be cheaper to send out the *Globe and Mail*.

Mr. FULTON: I should like to follow that up in relation to the questions which I asked the minister and on which he spoke before six o'clock, namely, the relation between these services and the two departments of External Affairs and Trade and Commerce. In reply to that question, the minister said it was felt that we must have personnel abroad giving information about Canada. He said he thought the committee would agree with that general statement in the light of present circumstances and present development in the world. Perhaps I would be inclined to agree with that statement, subject to one important qualification, namely, that the object in mind in giving information about Canada was related to some specific government policy; as I say, policy perhaps calculated to encourage immigration into Canada. We see no evidence of such policy. If it be policy calculated to foster Canadian export trade with a certain country or groups of countries, then I submit that that policy could be better furthered by the Department of Trade and Commerce. Or if it be policy calculated to improve our ambassadorial relations with other countries, then I suggest that that policy could be better furthered by the Department of External Affairs. Unless the desire to disseminate information about Canada is related to some specific gavernment policy, we submit that this is an extravagance which Canada can afford to do without.

If the object of maintaining this Canadian information service is designed to improve our external relations or our export or import trade, what department is better qualified to do these things than either the Department of External Affairs or the Department of Trade and Commerce? Surely the minister does not suggest that the ambassadors, high commissioners and the first, second and third secretaries of the Department of External Affairs live in a vacuum and do not know anything about Canada and are not qualified to disseminate information about Canada; or that the Department of Trade and Commerce, which at this very moment is running courses particularly to train young men and women who have returned from overseas, to teach them about Canada, its people and its various provinces, and all its aspects—not just trade—is not qualified to disseminate information about Canada. The Department of Trade and Commerce is spending a lot of money on teaching these people these things, and the department has a publicity branch which surely is qualified—if it is qualified to do anything—to send information overseas to the trade commissioners who go there.

The work of carrying out the objects which the minister has put forward in justification of the setting up of this service could be done a great deal more cheaply by utilizing the media of the already established departments. It would be cheaper to do it in that way than to set up a separate service which must inevitably duplicate and overlap the services that are being carried on by the two departments I have mentioned. That is the whole point. If we want the Departments of External Affairs and Trade and Commerce to exist in a vacuum, then, of course, we should make an attack on their estimates; but if we do not want them to exist in a vacuum which we do not, then I suggest they should take over the function which the minister has outlined as being the responsibility of the Canadian information service, and which they can discharge a great deal more cheaply and probably a great deal more efficiently.

Mr. FULTON: With all deference, are there not some ideas in my statement on which the minister should make some comments?

Mr. CLAXTON: I have already dealt with it before and after six o'clock, and said that close considerations were very much in the minds of these people who had to decide on whether or not the Canadian information service should be carried on separately by External Affairs and Trade and Commerce, each working in its own way, or by some agency in which they were both represented. It seems to me that the hon. member for

Kamloops has made out a very good case for doing it as a coordinated activity, and that is the way—

Mr. FULTON: Then cut down on the estimates of the other two departments.

Mr. CLAXTON: No, if you do not do it in this way you would have to add to the estimates of the other two departments if you wanted to have the service performed. We believe that there is a large desire to see that service performed; there is general need of seeing it performed. Somebody must do it and it seemed to us to be the most advisable way to do it. I can assure the hon. member that the supervisory committee with the representatives of External Affairs and Trade and Commerce, who are usually the under-secretary of state and the deputy minister, and the working committee with other representatives from each department—and the working committee meets at least once a week—secure the most effective coordination and cooperation. If they saw there was any better way of doing it they would be glad to do it—they would have done it. But neither they nor the government as a whole have seen a better way of doing it.

May I say just a word further about the cost of a service of this kind. The amount sought in the estimates this year is $640,700 for Canada. In the United States estimates for similar services have been passed to the amount of $24,584,778; in the United Kingdom, $30,598,107; in Australia, $1,419,380; in Brazil, $2 million; and in the Netherlands, $864,000. I do not mention these as indicating that we should necessarily spend the same sum. We are not spending anything like comparable sums on a per capita basis, particularly having in mind our widespread interests. But I mention it to indicate that in other countries people who are occupied with similar responsibilities have decided that very much larger sums, in comparison, should be spent on similar services.

If I might just answer an observation which was made earlier, namely that which suggested that these services should be on a fair basis within Canada, these services are designed primarily to extend beyond the boundaries of Canada. They are not aimed directly to do anything to affect public opinion in Canada. The services within Canada are those of coordination and assistance to existing government departments. The service is primarily designed for the dissemination of knowledge and information about Canada outside the boundaries of our own country.

[Mr. Claxton]

Mr. FULTON: Following up the question I asked before, if, as the minister has said, it is the desire to coordinate the external work of the Department of External Affairs and the Department of Trade and Commerce, why was it decided to put the work of this coordinating committee under a separate minister, namely the Minister of National Health and Welfare? Is it possibly because he is the minister of propaganda for the government; or what good reason can be advanced for that decision?

Mr. CLAXTON: I very much resent the suggestion that I am minister of propaganda for the government. I do not think the hon. member means that, seriously.

Mr. FULTON: I would not be surprised if he did.

Mr. CLAXTON: Well, then, I would ask the hon. member to withdraw it.

Mr. FULTON: I will not withdraw until I am proven wrong in making that suggestion.

Mr. HANSELL: I was on my feet once or twice, Mr. Chairman. You saw me, but I did not want to break continuity of argument. I agree to a great extent with the arguments of hon. members who have preceded me. Personally, I cannot see why the Department of National Health and Welfare should have to care for an institution known as the Canadian information service.

Mr. FRASER: They are looking after it because it is sick.

Mr. HANSELL: What is it that we have to make known through this information service? Surely we do not require it in Canada. We have our daily press and our periodicals.

Mr. MACKENZIE: And our pulpits.

Mr. HANSELL: We have radio stations, and our own Canadian Broadcasting Corporation.

Mr. MACKENZIE: Our pulpits and our pews.

Mr. HANSELL: These institutions disseminate all the information we need at home. What is the purpose? The purpose must be that we like to send information abroad, but what information do we have to send abroad? It is very nice to establish friendly relations with other countries, and I agree that that should be done, because we want to be friendly with other countries, and we have a short-wave broadcasting station at Sackville from which we give a world service for that purpose.

So far as I can see, the only thing we have to let other people know is what we have to sell. If we want to advertise to the world that we have a big wheat crop and are looking for customers, all well and good. That is something which would come under the Department of Trade and Commerce. If we want to advertise Canada as the happy hunting ground for tourists, that would come under the same department. If we have anything to sell, the same is true. I am not going to make any charges or accusations; but I am suggesting that the Canadian information service will go beyond making known what Canada has to sell to the rest of the world.

I was interested in the speech made by the minister, a speech which evidently was prompted by the hon. member for Peace River, the leader of this party. I was interested to note that when the minister was discussing matters requring the use of the expressions "divergence of views" or "controversial subjects", somehow or another he seemed to have the mentally cramped view that those subjects of a controversial nature all exist within the confines of political partyism.

That is not so. He seemed to advance the argument that the organization now to be known as the Canadian information service had no more interest in Liberal policies than in those of other parties. Personally I am not greatly interested in that, because so far as I am concerned there are only two philosophies in the world.

I do not care particularly what party a man belongs to; if he disagrees with some other party I will guarantee that that disagreement is on methods of administration and not on ultimate objectives, or deep-seated policies and principles. There are only two philosophies in the world, one of which is the philosophy of free men, always recognizing the freedom of the individual and the principle that every man should be established in his own right without interference from any other person, body or government. That is one principle. The other is the philosophy of world statism.

I do not know whether the minister would be prepared to make comment on this point, but I say that when any information service, public body or radio deals with ways of life it must deal with one or other of those two philosophies. As a Canadian people believing in British democratic institutions—and I use the term "British" because I believe we do hold to those great Christian virtues—will the minister guarantee to the house that a Canadian news service will not propagate anything to the contrary view? I do not think he will. Will he say that his Canadian information service will not at times give out information on Canada's foreign policy? Will he say that they will not? Let me say that you cannot write or think or speak foreign policy without advocating one philosophy or the other. That is why I wanted the Prime Minister (Mr. Mackenzie King) to make a few pronouncements the other day before leaving for the peace conference.

I am not concerned with Liberalism or Conservatism or socialism or social credit, but I contend that the minister holds one or the other of the philosophies I have mentioned, whether he is a Liberal or anything else. I will almost guarantee that the foreign policy of the Minister of National Health and Welfare individually is no different from the foreign policy of the hon. member for Rosetown-Biggar (Mr. Coldwell).

Mr. MACKENZIE: It must be a good policy if they both agree on it.

Mr. HANSELL: I am not debating the merits of the policy. You cannot say that one is a Liberal policy and the other a C.C.F. policy. I am not personally so much concerned over the Canadian information service boosting a party—of course I should like them to boost ours a little—but I do not think that is the danger; the danger is the propagation of philosophies for which the Canadian people do not stand.

Let me add one more word. This service is to cost well over half a million dollars. That may not sound so much since we talk in terms of astronomical financial figures, but half a millions dollars is a lot of money when you do not need to spend it. When the leader of the official opposition was speaking the other inght about cutting expenditures the Minister of Finance (Mr. Ilsley) asked where they could be cut. Here is half a million dollars. One of our biggest items of expenditure is in connection with the national film board and you could do away with that completely.

But I am not speaking only about cutting expenditures. We are setting up in Canada what I will call institutions for want of a better name, one of which is known as the Canadian information service. That is a nice name, but I am a little leery of nice names because so often we do not know what they really mean. This Canadian information service is being set up under a Liberal administration and it is gradually growing to enormous proportions. Then there is the Canadian Broadcasting corporation.

I am not going to be highly critical of these three institutions, provided that they are administered in the proper way. However,

there is no guarantee that Liberal administration is going to be in power forever—I hope they are not. There is no guarantee that the Conservatives are going to be in power. There is no guarantee that the C.C.F. are going to be in power. The present administration will not be in forever because we are living in a changing world.

Mr. MACKENZIE: It has not changed very much in twenty years.

Mr. HANSELL: The Minister of Veterans Affairs has a habit of interrupting me. I would not mind that so much if he would only speak in English so that I could understand him. I said that the world is in a state of unrest, and so is Canada. The other night the Minister of Finance gave us a glowing picture of what the government were trying to do. I sat back and said to myself, "I did not think we were living in such a wonderful country. How is it there is so much unrest if everything is so lovely?"

We are living in a time of unrest. If another government should come into office, either through the process of our democratic form of election or in some other way—believe me that is not without possibilities to-day—if a government holding to the philosophy of dictatorship should come into office the machinery would already be there for them to take over. What would be a greater plum for a dictatorship administration than the Canadian Broadcasting Corporation? The act governing this corporation would not need to be changed by one word. This new government would have this huge propaganda machine all ready for their own purposes. You would not be talking in terms of Liberalism or Conservatism or socialism or social credit then.

Another plum that would be ready to fall into their lap would be the national film board. This could be used to propagate what they would probably term the new order. Then we have the Canadian information service, one of the triplets of propaganda institutions which a government of that kind would find all ready for them. What would they say? They would say, "We did not bring them into existence; it was a previous government that prided itself on free institutions that brought these things into existence." How often have I heard the Prime Minister say over the years that he was here to protect free institutions.

That is the picture and we are spending millions of dollars on that type of machinery. I am not going to say that the national film board did not do some reasonably good work with certain films dealing with the danger of inflation and "Canada Carries On" and that sort of thing, but I want to say that if they think they can compete with the fine arts of the motion-picture business they have another think coming because it cannot be done.

I am going to ask the minister one question and I would request him not to make a long speech.

Mr. MACKENZIE: What about yourself?

Mr. HANSELL: I am making only the one speech, but the minister makes a speech every time he is asked a question. I want to know if he will place the names of all members of parliament on the mailing list of the Canadian information service for all their publications.

An hon. MEMBER: Oh, no.

Mr. HANSELL: I do not expect the hon. member to read them all if he does not want to. I will confess to the minister that if he puts my name on and I get those publications I shall read them for one purpose only, and that is to check up on them to see whether or not they are propagating something that is not in accordance with our free democratic way of life.

Mr. CLAXTON: Until the Canadian information service was created out of the wartime information board all hon. members were always asked if they wished to be on mailing lists, but when the Canadian information service was set up with this changed orientation to provide for the dissemination of news abroad, the people on the mailing list were notified that their names would be cut off unless they wanted the information. In consequence of that, the mailing lists have been revised, but if any hon. member wants any information from Canadian information service he will certainly get in.

Mr. LENNARD: On looking over this copy of the airmail bulletin, my interpretation is that it is nothing more or less than a daily news column for the Canadian legations abroad. It is a glorification of that column in *Time* called "Milestones", which starts off with the births and ends with the deaths. It also reminds me of another well-known column in our daily and weekly newspapers, Walter Winchell's. It is in my opinion, a good Walter Winchell column.

Mr. GRAYDON: I have been looking over a question which was passed as an order for a return on Monday, July 8, in the name of the hon. member for Peterborough West. I have been looking over the various daily, weekly, semi-monthly, monthly and occasional

publications of the Canadian information service, and the thing that struck me coming as I do from an agricultural part of the country—and remember that thirty-five per cent of the people of Canada are still on the farms or in our rural parts—was this. If this information service is going to do the great job the minister speaks of, I have two questions to ask. I notice a reference to field reports but I presume that does not refer to the kind of fields the farmer knows about. My first question is that: How many people competent to write of or deal with agriculture are connected with the Canadian information service? Second, what service does it give to that thirty-five per cent of our population who are on the farms?

Mr. CLAXTON: The hon. member has asked a question which presumably relates to the proposed information service to be set up in consequence of this resolution and to carry on the Canadian information service.

Mr. GRAYDON: You are carrying it on now under order in council.

Mr. CLAXTON: Yes. That service, under the terms of the order in council and under the terms of the resolution, does not aim to disseminate information in Canada. It aims to disseminate information abroad and to coordinate and assist existing Canadian information services. The hon. member will appreciate that, since it is not designed to send information to the people of Canada, it is not designed to send any information particularly to the class that he mentioned, any more than to any other class in Canada. But I would add that in all its work the Canadian information service naturally seeks the cooperation and assistance of the government departments having experts on any subject, and that cooperation is readily offered. They all work together, just as would be done in any other joint activity, to get out the material. They seek the advice of the people who are competent to give it in the technical fields.

Mr. GRAYDON: I perhaps did not make myself clear. What I had in mind was that thirty-five per cent or more of our Canadian people are rural people, and if we are going to give a true picture of Canada to other countries of the world and we do not give a complete picture of Canada agriculturally coming from competent hands, it seems to me that we are falling down on the job and not carrying out the responsibility of the Canadian information service. What I wanted to know was how many people are there in the Canadian information service who are competent to write or give information about agriculture to other countries. That question links up closely with another question which has arisen in External Affairs. One of the main qualifications for men or women entering the diplomatic service in Canada is that they should be university graduates. To that I take some exception, but at present it is the rule. Men and women are chosen out of the universities of Canada to go into the diplomatic service, but not a single person has yet been chosen from an agricultural college in the Dominion of Canada for the diplomatic service, although one-third of our population are farm people. I do not want to plead sectionalism with respect to occupation, but when you completely eradicate the farmer it is time somebody spoke up on his behalf.

Mr. CLAXTON: We are getting away from the subject, but when the hon. member says that not a single person in the diplomatic service has been chosen from an agricultural college I think he overlooks the case of Doctor Riddell, who was himself a professor of agriculture and served Canada notably abroad.

Mr. GRAYDON: Since the war, the External Affairs Department has expanded greatly and new qualifications for entry into the diplomatic service have been set up. One of the main ones, to which I take exception, is a university education. Since this rule went into effect not a single person has been taken into the diplomatic service from an agricultural college. I would be the first to agree with the minister as to Doctor Riddell's high qualifications but he was chosen long before this rule came into effect with the great expansion of the external affairs department.

Mr. CLAXTON: I am informed that more than one-third of those engaged in the production of material for the Canadian information service were brought up on farms and that a considerable number have worked on farms or on farm weeklies. But when it comes to matters requiring technical up-to-date knowledge the service goes to the department concerned to get expert assistance from that department.

Mr. KNOWLES: First of all, as one who has already expressed support for the proposal before us, I want to say that I was disappointed to hear the minister state that in the reorientation that has taken place in W.I.B. becoming C.I.S., there is less being done now domestically than was formerly the case; that C.I.S. is mainly for the dissemination of

information abroad. I want to say something about providing sufficient information abroad in a moment. But first I do want to put in a plea for the greater use of the Canadian information service in Canada. If nothing else, it seems to me that at least it ought to be noised abroad throughout this country that here is a place to which the people may write from any part of Canada to get information on any kind of subject in which they are interested. I suppose that the really effective Canadian information service at the present time consists of the members of this house. We are the ones who get requests from all over the country for information which we try to dig up. I think there is a job for the Canadian information service domestically to a greater extent than the minister has indicated.

However, I want to turn now and make a plea to the minister on the basis of the Canadian information service being at the moment primarily for the dissemination of information abroad. I dislike making frequent references to my own short experience overseas a few months ago; but on the basis of that, there is this I want to say on behalf of Canadians who are working in embassies in other countries, namely that they would like to have a great deal more information than they now receive. This was said to me by third secretaries and stenographers—I will put it down at that level if you like.

Mr. GRAYDON: You mean, up at that level.

Mr. KNOWLES: You are right—up at that level.

Mr. REID: And they need more in Great Britain, when a member of parliament brought a fur coat here in July, when we had a temperature of 100 degrees.

Mr. KNOWLES: I am sure he was not a member from Scotland.

Mr. REID: You are right.

Mr. KNOWLES: The way it was put to me several times was that Canadians abroad working in our embassies are called upon—it is part of their job—to collect all the information they can about the countries they are working in, to send that information home to Canada. They would like to be treated in the same way. So far as they are concerned, they feel that, even though the departments here think they are sending them plenty of material, they are somewhat stranded. The hon. member for Peel will remember that the employees in the embassy at Paris expressed that view to us, and they did so in other places we visited. I had the experience of being in Moscow during rather a dramatic week, namely when the Prime Minister made a certain announcement in this country last February. I experienced with our diplomatic people there the sense of being stranded, and they said to me almost every day, "We are being asked to send home all kinds of information, but we do not know what is going on at home at all"; and as a matter of fact I was clear back in Canada myself before I knew anything about Canadian reactions to that particular incident.

I quote my own experience, brief as it was, merely in confirmation of the kind of plea that some of these people made to me, that they be given more information. I recognize that the Department of External Affairs has interests which keep it from doing as much of that job as it should, but here is a field for the Canadian information service. I hope they will realize that it is not just a case of giving news to these people over there; it is a case of increasing the effectiveness of our Canadian representatives all around the world, if they are given more information about what is going on back in Canada. I suggest to the minister that he be not afraid to give to these people through the Canadian information service at least a summary of opinions in Canada, a summary of editorials in newspapers of various political stripes. Just to confine it to factual material of the kind that has been read from a few samples to-night is not good enough. I come back to what I said before; I do not think we should be afraid of the word "politics". Political parties are a definite factor in our country, and these people have the right to a complete picture of what is going on.

Mr. JACKMAN: I can only approach this subject from the way in which I think, the average voter in Rosedale riding would look at it. When one sees an appropriation of $640,700 for the Canadian information service the question immediately arises, do we need this service, and what does it do that would not otherwise be provided? When we remember that many a taxpayer is endeavouring to live out of his or her earnings—if single, on $750 a year before reaching the taxation bracket, or if married, $1,500 a year, and I defy anyone to live decently in the city of Toronto on either of these sums, whether he be single or married, for it would be quite impossible—I believe that we should curtail a lot of our expenditures, no matter how necessary they are, until we can grant exemptions from taxation so that the government

does not become an agency for lowering the standard of living of our people below what must be considered a minimum of decency. Then we find that the tourist business is going to spend $650,000 in order to encourage tourists. That may be a justifiable expenditure because it brings in dollars and cents to Canada. But we find that this Canadian information service that is proposed to be set up is not concerning itself with trade and publicity, because there is an item in that department for trade, publicity and advertising in Canada and abroad of $459,000, or an increase of $306,860. And here may I just say, that the Department of Trade and Commerce publishes an interesting little booklet, called "Canada, 1946", or whatever the year may be, which is an abstract of the *Canada Year Book*. This is a valuable book which not only gives information to Canadians, particularly to students, but is also of extreme value to people from other countries who wish to get a bird's-eye view of what the industry and commerce of Canada is about. This book used to be made available to members at a cost of ten cents a copy. We had a man who looked after some economies, apparently, in this government. During the war years he took off the special rate to members, and if you want to buy a copy now to give away it costs you twenty-five cents. I believe that the government would be well advised to review some of the policies, even the policy of economy which in this case, I think, is false economy, and make this excellent and valuable book available to all hon. members, so that they may give it as wide a distribution as possible. I think I carry the judgment of the Minister of Trade and Commerce in this regard, but apparently no change has yet been made in the price.

What will my constituents think when they find that the rehabilitation information branch is to have $242,000 appropriated for it, and the national film board, $1,030,683, and that is charged under "demobilization and reconversion", just why I do not know, the same way as Canadian information service is charged. Why it does not come under the ordinary peace-time estimates is another question on which the minister might give us some information. Then the national film board, in addition to the million dollars it gets under demobilization and reconversion, gets $860,000 under the ordinary revenues. These are both items which many of my constituents feel to be of doubtful value.

In regard to the whole matter of an information service run by the government, it is my belief, founded on some observations and information which I have received, that the press generally in this country and abroad would much prefer to get their information at first hand, and not have the interposition of some special government department which "shades" the information and goes over it, censors it and dresses it up in the form which the department thinks is most appropriate, whereas trained newsmen are best fitted to give to the pubic that which the public wants to read about.

We have in this country, I believe, no ideology which we are trying to propagandize at the present time. The minister in fact resented the suggestion that, as being the responsible head of this ministry of information, he was in effect a minister of propaganda. That is another reason why I believe that what news there is about Canada should be left to the ordinary channels of publicity and not be given the imprimatur of the government or given any direction from governmental sources. Just where there is any actual dollars and cents advantage to be derived from an appropriation of $640,000 for the Canadian information service I do not know. It may be that it is an interesting and useful service to the department of External Affairs when our representatives are abroad, but it does not seem to me that having hourly or daily information about what is happening in the domestic field in Canada is exactly the reason why we send representatives abroad. They should have a knowledge of the broad problems of Canada, should know what the political trends are, if you like, and what the external policy of the country is; but who is in command of military district No. 3, et cetera, is not the type of thing which the taxpayers, in the constituency of Rosedale at any rate, are interested in funishing to our external representatives.

There is a limit to the taxpayer's burden, and he is already feeling that that limit is too high in view of the fact that we are no longer under the dire necessity of fighting a war for the preservation of our liberties. We think we are back in peace time, and we want to see some incentive restored to the people so that they can work, and work overtime if they desire, and in doing so obtain some benfit for themselves.

Canada's name has always stood high in the world and in the neighbouring republic to the south of us. It stood equally high if not higher in the days before we ever had an information service, and I fail to see how this particular department can be of use to Canada. If we are a first-rate nation and behave ourselves as we should toward our neighbours; if we are a good people, as we

are, then our light will not be hidden under a bushel; it will come to the surface and the world will recognize us for what we are. We do not need, therefore, any artificial information of this sort sent abroad for the purpose of publicizing our country.

There is news value in many of the government departments and the press are always eager to have releases, and do not wish to have the interposition of some agency which will tamper with and possibly dampen the effectiveness of that news. Information which the government puts out under such a department as this almost inevitably tends to become propaganda. The department may start out with the very best faith in the world and conduct itself along the most scrupulous lines. But there is the inevitable human tendency to slant news a particular way in which one wants it to go, and it is my firm belief, and I believe the conviction of the majority of Canadians, that if items that are of news value in the country are given to our newspaper men—there are plenty of them; our press gallery is full of able men looking for news—that is the best way to publicize the merits of the country. I suggest, therefore, that an expenditure of this kind can be done away with, particularly when the tax burden upon the people is so high.

Mr. GREEN: I wish to direct to the minister two questions, one, having to do with service given abroad, and the second with the domestic service. With regard to the service abroad, am I fair in saying that this plan was hit upon early in the war to promote Canada's war effort, that we wanted to secure the greatest sympathy possible from the United States, and wished also to give the fullest information to Great Britain concerning our war effort and to inform other members of the commonwealth of that effort? Later on, it developed into the work of promoting the cause of the allies in the nations that were not at war. That was the genesis of the work abroad and, as hon. members know, the body charged with this work was called the wartime information board. It clearly was intended for wartime purposes. Now, having come to the end of the war, the government is trying to change direction, to find some new work for this information service to carry on, and as a result we have the plans that have been outlined by the minister to-day. With regard to the service abroad, it was designed primarily, in fact entirely, for the war, and now there is an attempt to build up something new for peace. I would ask the minister to say whether I am fair in summing up the situation in that way.

With regard to the domestic service, the minister has pointed out that the work is to coordinate the publicity of different branches of government. That means, it seems to me, that this information service must be the top-dog, that it must be in charge of publicity services given by the different departments. I should like to know whether that is so. Otherwise I do not see that the service can accomplish a great deal. It would be interesting also to know how many persons there are on the staff of the service at the present time, how many of them are abroad, how many in Canada, and what the plans are for the next year with regard to staff.

Mr. CLAXTON: The hon. member for Vancouver South suggests that this activity was created in time of war. That is obvious; and, as he said, it was primarily designed to improve the knowledge of Canada abroad and to create an understanding among the allies and to cooperate to the best possible advantage. I think it did that very well and worked together with other information services to that end. But, the hon. member says, with the close of the war now, there is an effort to find some new work for this agency which was created in war time. May I say with respect that that is not so at all. It would have been very easy indeed to disband this activity, had it not been found that continuously during the period of conversion from war to peace, as the war ended and we entered the period of peace, the same need continued to exist, though in different forms and with the same object, namely, to spread abroad knowledge and information about Canada as the basis of international understanding and, we hope, trade and security. But, further, we found that we were getting from countries like Brazil orders which were traceable not only to the fact that we had the goods but also to the fact that there was an understanding of Canada built up in Brazil. That, as I say, was traceable, in part, to Brazil's information about Canada. There was that understanding and confidence built up in that way. It is impossible to say how much of any order is attributable to any particular source and what the cause of it is.

Mr. GREEN: Probably some of that information would come from the ordinary press of both countries.

Mr. CLAXTON: Yes, but you find little mention of Canada in the press of Brazil and vice versa.

The second question was on coordination and the hon .member asks whether the information service will be top-dog. That is not intended at all. The plan is to coordinate the activities of the government regarding matters in which a number of departments have an interest.

Mr. GREEN: Can the minister give us some examples?

Mr. CLAXTON: Yes, on food information. Not long ago the government announced a policy regarding food which I think secured the general support of the people. In order to make that policy known and to secure the support of the Canadian people in restricting their own consumption of food, there was a publicity campaign which took different forms. That was done under the food information committee which was set up with the assistance of the Canadian information service.

Mr. GREEN: That really is giving publicity within Canada.

Mr. CLAXTON: Only in so far as coordination and assisting is concerned; but that committee, which was an interdepartmental committee, was responsible for the information in Canada. The Canadian information service acted as a coordinating agency, supplied technically equipped secretariat and assisted the committee in putting out material. It issued something itself, but rendered essential service to an interdepartmental body.

With regard to the final question as to the number on the staff, there are now on the staff 109, of whom twenty-five are overseas. It is not the intention to increase the staff in any substantial way. The peak of the staff of the wartime information board was 189, with some twenty people on loan from other departments. Therefore there has been about a fifty per cent reduction from the peak of the wartime information board.

Mr. GREEN: Are there any people on loan from any department at the present time?

Mr. CLAXTON: The figure of 109 includes them.

Mr. FRASER: With only that slight reduction in staff—

Mr. CLAXTON: Fifty per cent.

Mr. FRASER: Yes. According to a return I have here, during war time there were over fifty-two publications put out by the wartime information board. At the present time only nine are being published. There must be something wrong when so large a staff is required to put out so few publications.

Mr. CLAXTON: The answer is that in order to do the ordinary service of the information board it is necessary to have a certain basic staff. As soon as you add to that staff you can turn out much more in the way of printed and mimeographed material without any corresponding increase in overhead. But in order to furnish the basic services of information, answers to questions, reference materials and other releases, it is necessary to have a certain minimum staff.

Mr. FRASER: I inferred from what the minister said that the wartime information board and the Canadian information service have helped to create trade between Canada and Brazil. I do not agree with that at all. Canadians have been in Brazil for years. It is the Canadians who are there and the Department of Trade and Commerce that have created that trade and not the Canadian information service.

Mr. McKAY: Am I correct in saying that the minister said there were 107 members on the staff at the present time?

Mr. CLAXTON: No, 109.

Mr. McKAY: Of those 109, 105 are veterans, I believe?

Mr. CLAXTON: No, I did not say so.

Mr. FULTON: Twenty-five are overseas?

Mr. McKAY: Twenty-five are overseas.

Mr. FRASER: Are overseas now.

Mr. CLAXTON: Yes.

Mr. McKAY: How many of the present staff are veterans of either world war I or world war II? I misunderstood the ministers' statement.

Mr. CLAXTON: The break-down I have is as of March 31, 1946. There was a total of 106 on the staff at that time. Of that number thirty-one are males and seventy-five females. With overseas service there is a total of twelve, and with service in Canada, five.

Mr. BRACKEN: Before this resolution passes may I ask two or three questions? Is it a fact that in all of the services of the government there are publicity branches?

Mr. CLAXTON: Yes.

Mr. BRACKEN: Is there a considerable publicity branch in connection with External Affairs?

Mr. CLAXTON: No, none at all, not a single man.

Mr. BRACKEN: In connection with Trade and Commerce?

Mr. CLAXTON: Yes.

Mr. MACKENZIE: We have one in our department.

Mr. BRACKEN: I have listened to this discussion to-night and I say frankly that the minister has not made out a strong case for the resolution before the committee. I should like to say to him that when the bill comes up for second reading, if he does not make out a better case than he has made to-night, this party will have to oppose the measure.

Resolution reported, read the second time and concurred in. Mr. Claxton thereupon moved for leave to introduce bill No. 305, respecting the Canadian information service.

SUPPLY

The house in committee of supply, Mr. Macdonald (Brantford City) in the chair.

DEMOBILIZATION AND RECONVERSION

Privy Council Office—

591. Canadian information service, $640,700.

Mr. KNOWLES: There was just one question with respect to the resolution which has been passed which the minister did not answer, and this is the same item. Will the bill make the Minister of National Health and Welfare responsible for the Canadian information service?

Mr. CLAXTON: The bill provides that the Canadian information service shall have a supervisory committee which shall be composed of the following persons: "one member, who shall be the chairman to be appointed by the president of the privy council", and so on. That heads up the supervisory committee. Then the position of the minister is defined in paragraph (d) of section 2, which reads as follows:

"Minister" means the president of the privy council or such other minister as may be designated by the governor in council to be responsible for the administration of this act.

That essentially follows the pattern which has been in existence before, whereby the president of the privy council was the minister responsible. On my ceasing to be parliamentary assistant to the president of the privy council, because I had become familiar with the workings of the service I was named the minister responsible to parliament for the service.

Mr. KNOWLES: It is anticipated that will be the case.

Mr. CLAXTON: That will remain with the president of the privy council.

Mr. GREEN: What other boards or governmental organizations are under the president of the privy council, as this board is to be?

[Mr. Claxton.]

Mr. CLAXTON: I do not know of any. The items in the estimates for the president of the privy council are items Nos. 589, 590, 591, 592 and 593. I do not know of any other boards or services just in the same position.

Mr. GREEN: Then, this is really a new departure. For the first time we have a board of this type being put under the president of the privy council, rather than directly under the minister.

Mr. ST. LAURENT: It is not the first time.

Mr. FULTON: I rise to a point of order. I understood this afternoon that the estimates of the minister's department were to be called, but not this item for the Canadian information service. It was stated this afternoon during the course of the debate that if it was a matter of consent, we would not consent. From the order of business given yesterday evening we were entitled to assume that it was the minister's department which would be called in supply to-night.

Mr. MACKENZIE: The statement was made that the estimates of the Minister of National Health and Welfare would be called. Therefore this is properly called.

Mr. FULTON: This is under the privy council office; it is not under the Department of National Health and Welfare.

Mr. HOMUTH: And if it were not for the opposition in the house, you would not have a quorum; do you realize that?

Mr. CLAXTON: I cannot see that there is any other way in which the leader of the house could have described me, except as Minister of National Health and Welfare. The estimates of the department have all been dealt with.

Mr. FULTON: The understanding was that it was the item dealing with the national film board, under the minister's department, which was to be called to-night. This item does not deal with the national film board.

Mr. MACKENZIE: No.

Mr. FULTON: I submit, further, that the privy council office comes properly under the jurisdiction of the Prime Minister, or the Acting Prime Minister, and not under that of the Minister of National Health and Welfare.

Mr. MACKENZIE: There was no understanding to that effect.

The CHAIRMAN: Does the item carry?

Some hon. MEMBERS: No.

Mr. FULTON: One moment; I should like to have your ruling on the point of order.

Mr. CLAXTON: On that point of order, let me point out that there certainly was not as regards myself, or, I believe, the leader of the house, any such understanding.

Mr. MACKENZIE: No.

Mr. CLAXTON: What he said was that the estimates remaining in the name of the Minister of National Health and Welfare were to be dealt with.

Mr. FULTON: But this item is not in the name of the Minister of National Health and Welfare. Further, we want the bill before we deal with the estimate.

Mr. CLAXTON: As soon as that was said, it was indicated almost at once that we proposed—and there was no objection to it—that as soon as first reading was given we would go on and deal with this matter, in supply.

An hon. MEMBER: Where is the bill?

Mr. FULTON: With all due respect to the minister, I cannot accept his statement that there was no objection, because I was most careful to make objection this afternoon in the course of my remarks after the minister's statement, at which time I pointed out that we wished to have the normal procedure followed of having the bill distributed after the resolution was dealt with. We said we objected to the suggestion that the item be dealt with before the bill was distributed.

Then, with deference—and after all, we have to cooperate—we on this side took the understanding from the statement made last night that it was the item with regard to the film board which would be dealt with under the name of the Minister of National Health and Welfare.

Mr. MACKENZIE: If we want to be meticulous about it, there is no such thing as a point of order in connection with supply. There is no such thing as insisting upon what item will be taken up. As a matter of courtesy, we endeavour to meet the wishes of hon. members. In the present instance the minister is expected to go overseas in a day or two. He is in control of this item, and I thought that as a matter of courtesy the house would permit him to deal with it at the present time.

Mr. FULTON: I appreciate what the minister has said respecting courtesy. I appreciate too, that it is a matter of courtesy when the government indicates what the business shall be. I simply pointed out that we took that understanding. I point out, further, that there is another item under the jurisdiction of the same minister which could be considered. If it would not be interfering too much with the government's plan of procedure we would appreciate it if that item could be called rather than this one.

Mr. MACKENZIE: I appreciate my hon. friend's point of view. But, after all, the government must remain in control of the order of business in the house. We shall now proceed with this item.

Mr. FULTON: Then, can we have the bill before the item is called.

The CHAIRMAN: I understand that the bill is not back from the printing bureau. As the minister has said, there is no point of order before the committee.

Mr. FULTON: There is a point of good faith.

Mr. MACKENZIE: There is no breach of faith, and never has been.

The CHAIRMAN: The Chairman of the committee does not decide what the business shall be.

Mr. BOUCHER: Let us consider this matter coolly. We are now being asked by the government to proceed with an estimate, when the bill is not before us. That is quite irregular. We were also informed by the Minister of Veterans Affairs that we would proceed with the estimates of the Minister of National Health and Welfare, or the estimates under his name. Certainly this item is not in the name of the Minister of National Health and Welfare.

The government may have made a mistake. They may have had one thought in mind, and proceeded with another. The leader of the house says that the government must decide what business is to be proceeded with. But the government must see that the opposition is in a position to cooperate with it in proceeding with a measure when the bill has not been distributed. So, let those who ask favours give favours as well. Let us play the game squarely.

Mr. ST. LAURENT: We do not want to have any wrangling over this. Neither do we want any reproaches which are unfounded to go unanswered. There is no necessity for having the bill distributed before considering the item, because there is in existence, under an order in council which is valid and operative, and which is designed to be replaced by this bill in the interests of permanency, this Cana-

dian information service. The order in council placed the information service under the president of the privy council.

The hon. member for Vancouver South asked if that was the only agency under the president of the privy council. There is one other; the federal district commission is under the president of the privy council. There will be a proposal under a resolution now on the order paper to transfer it from the president of the privy council to the Prime Minister.

But if hon. members are not prepared to proceed with the item which has been called at this time the government is not going to insist upon asking them to do something they are not ready to do. There was no intention to mislead or to get anything through which the house does not desire to consider. If the committee prefers to consider item 244, there will be no objection.

Mr. HOMUTH: If the minister had risen at the beginning and given the same explanation, there would not have been this so-called wrangling.

Mr. MUTCH: We would have heard the same bunch of tripe, just the same.

Mr. HOMUTH: You can always expect some dirty remark from my little friend from Winnipeg.

Mr. MUTCH: You are the last man in the house who should use that word.

Mr. HOMUTH: Sit down; you can get up after. And don't think you are getting anything on me.

The CHAIRMAN: Order. I would ask the hon. member for Waterloo South to resume his seat. And I must remind hon. members that their remarks should be addressed to the Chair.

Mr. HOMUTH: If I were doing that, Mr. Chairman, I would not make the remarks about the Chair that I did about the hon. gentleman.

The CHAIRMAN: Do I understand that vote 591 stands?

Some hon. MEMBERS: Yes.

Mr. FERGUSON: The Minister of Justice has just said that he did not want to have the opposition pass anything that they did not understand. I do not believe the people of Canada want the opposition to pass something which they do not understand or which has not been properly placed before them. That is why this opposition will not vote in that manner. It is not because we do not understand this, it is because we will not vote something that is not properly placed before us.

Mr. BRACKEN: I want to commend the Acting Prime Minister for the attitude he has taken on this matter. It is quite clear that those of us on this side did not expect this item to-day and we were not ready to deal with it. You have the power to go on with it if you want to, but in view of the fact that the resolution dealing with the bill relating to this matter met with a great deal of opposition I think the Acting Prime Minister has adopted the right attitude by leaving it over until the other items in the Department of Health are dealt with.

Item stands.

DEPARTMENT OF NATIONAL HEALTH AND WELFARE

General—

244. National film board, including the motion picture bureau—general administration, $94,369.

Mr. MACDONNELL (Muskoka-Ontario): I wish to make some general observations about the film board before we proceed with this vote. First of all, I should like to say a word on the subject of economy, taking my text from what the Minister of Finance said last night when he spoke about the necessity of equating revenue and expenditures at a time when we have high employment and high national income. The minister spoke to us about taking our responsibilities in this matter seriously. I did not like very much that part of his speech where he said that the suggestions from this side of the house for economy had been pathetic, that there was merely a tiny suggestion here and a tiny suggestion there. With all due respect to the minister, I would point out that I made suggestions of economy which totalled $60,000,000. If the minister thinks that is tiny and pathetic I want to tell him that in the constituency of Muskoka-Ontario $60,000,000 is a lot of money.

I wanted to make one or two general observations about the film board. At the outset I want to be specific in saying that I believe the film board has done useful work and can continue to do useful work, but I want to say also that I think there is a danger that new and interesting inventions may sometimes get the bit in their teeth and run away with themselves and with us and our money in a way that we should be careful about.

I have in my hand a finely got up pamphlet called "Image". This was published by the film board and is an attractive piece of advertising for the work of the board. It is done on quite nice paper which I think most of us would find it difficult to get. It begins with a most interesting letter from a gentleman well known to us, Mr. John Grierson. I regret to say that in this letter he makes some reference to the Scotch race which I

greatly deprecate and which I am sure the Minister of Veterans Affairs will deprecate. Mr. Grierson must be a renegade Scot, because he takes a loose view with regard to money. Mr. Grierson quotes a remark made by Mr. Winston Churchill at the end of the first war as follows:

One remembers Mr. Churchill's comment about armistice day 1918: "A new set of conditions began to rule from eleven o'clock onwards. The money cost, which had never been a factor capable of limiting the supply to the armies, asserted a claim to priority the moment the fighting stopped."

That was a quotation from Mr. Churchill, and Mr. Grierson added, "the results we all know". Then Mr. Grierson comes to that part to which I object, and he refers to the Scotch in the following words:

We may expect the worthies, particularly my fellow worthies of Scottish lineage, to recall their stern and frugal upbringing and dedicate themselves, with moral unction, to starving to death.

He apparently regards anything that is not spending wildly without limit as starving to death. He goes on to refer to the atomic age when apparently everything will be wonderful. In this interesting pamphlet certain references are made to the expansion of the board and I should like to refer briefly to these. I am not objecting to the expansion of the board, I am only saying that at a time when we are so heavily taxed, when we are faced with such deficits, we should count our pennies.

I want to say a little about the organization of the board, and in this connection I should like to quote from a page entitled, "Report from Washington". We have here an organization which I think is in danger of taking the bit in its teeth and running away with itself and with us. I feel we should take stock of it and make sure it is doing what we want it to do, in the way we want it to do it and in the way that other departments are doing. I quote:

The national film board of Canada has been an active agent in the Washington film scene now for well over two years.

It then goes on to refer to the setting up of the Washington office, and reference is made in the following words to one of the transactions which have taken place:

During the past year more than 400 American films produced by or for the United States have gone to Canada for deposit in the film board's preview film library.

I skip again and read from the bottom of the paragraph:

By reason of their larger share in the war information budgets the O.W.I., treasury, army and navy have taken the lead in the mass distribution of Canadian films, primarily orientation and morale subjects such as "Fortress Japan," "New Soldiers are Tough," and "The Peace Builders."

I do not know why these war-time films should go on now, but apparently they still like them in the United States.

I should like to read briefly from the public accounts for the year ended March 31, 1945, and I do this in order to bring to the attention of the committee a report of the auditor general in which, speaking of the national film board, he says:

The board does not invariably follow practices which regulate departments of government. In the course of audit it was observed that purchases of articles, costing $627.95, had been made from public employees without first obtaining the customary concurrence of treasury board.

After citing one or two other things, the report states:

Order in council P.C. 107/5547 of July 19, 1944, authorizes the board to pay a newsreel film editor a monthly living allowance of $40 while on an assignment in New York. Effect has not been given to this plan. Instead, in the period from August 1 to March 31 he was paid living expenses on the basis of a detailed accounting. Hotel and meal charges were $1,981.45. When converted into Canadian dollars, these payments average $275 monthly.

I am not suggesting that $40 a month is sufficient for a gentleman who has to live in New York, and I do not know why that amount was put in the order in council, but I am suggesting that it would have been desirable if it was to be changed that the change be made by the authorities who authorized the original amount. It should not have been left to the film board itself to multiply by about six what apparently the order in Council thought was sufficient for the purpose.

In making these preliminary observations and before coming to the details of the accounts, I just wish to emphasize what I said at the outset, that we should regard this new invention, this interesting tool, as something we ought to make use of, but I feel that there is a danger with these new inventions that they take charge of us and acquire a privileged position and are not subject to the same limitations as the less romantic and exciting and artistic government departments. I think we are entitled to look at the figures in the light of that, and also to ask the minister to give us a considerable amount of information as to the relationship of the board to the trade. Therefore I am proposing to ask a considerable number of questions.

I think the committee has already been told members of the board and the details of

their appointment, the name of the film commissioner and the date of his appointment. I would ask now, what is the relation between the board and the various departments of the government? On what basis are films produced for or on behalf of the various departments of government? On what basis are they paid for?

Mr. CLAXTON: I did intend to make a brief statement at the beginning and also answer some of the questions which were put by the hon. member for Lethbridge, of which he was kind enough to give me notice when the estimates of the Department of National Health and Welfare were before the committee.

With regard to the quotation made by the hon. member for Muskoka-Ontario from the piece by Mr. John Grierson in "Image", Mr. John Grierson, as he knows, as well as other hon. members, is about as Scotch a Scotsman as you can find anywhere on the face of the earth.

Mr. REID: It is a good job he escaped from here. He escaped just in time.

Mr. CLAXTON: He did not escape. His remark was not in any way unfavourable to the Scots, if taken in the light way he intended it.

With regard to the item in public accounts, I should tell the hon. member that the item was dealt with in a way which was authorized by the treasury board itself, and it was cleared up during the accounting period in question now to the board's satisfaction. The discrepancy between the living allowance authorized and the actual allowance required was taken care of by a submission to treasury board, which thereupon approved the living allowance which was actually needed, and which was established. The comment put in by the comptroller of the treasury was fully carried out and approved by the treasury board as soon as the matter was drawn to the attention of the commissioner.

Mr. MACDONNELL (Muskoka-Ontario): That is the difficulty with these accounts; they are so far behind.

Mr. CLAXTON: Yes, There is no other way in which the public accounts can be dealt with. They have to be dealt with in arrears because of the size of the operations of government.

The hon. member for Muskoka-Ontario asked what relation was there between the board and the departments of government which ordered films. The board produces films for other government departments, and in the course of its work it produces a very large quantity of films for other government departments. It is done in this way. If, for example, the army wants to have a film of, let us say, "Exercise Muskox", the responsible officers in the army get in touch with the officers of the film board and say: We want to get a film of "Exercise Muskox" for use in instruction. Or they may say: We want a film made for some other purpose. The film board then arranges to send with the expedition a film crew, the composition of which is worked out with the army, and the required quantity of moving and still pictures are taken, and then are subsequently edited into the kind of films that the army wants. I mention "Exercise Muskox" as a typical example. As a consequence of that, the army will very shortly have a film which will run for about an hour and be suitable for their purposes. In addition, as a by-product the national film board itself will produce a film this month in the "Canada Carries On" series, which will be shown through the commercial theatres of Canada on all commercial circuits and which will give a good picture of the kind of country and the kind of operation in which "Exercise Muskox" was engaged.

Mr. MERRITT: When that film is shown on the commercial circuits will the commercial circuits be paying commercial prices for it, and will the government of Canada make a profit or loss on the showing of that film?

Mr. CLAXTON: It will be shown at ordinary commercial rates, but the market for short subjects in Canada is such that ordinarily you cannot get a price for shorts produced in Canada which would enable the film to be produced at a profit.

Mr. MACDONNELL (Muskoka-Ontario): There was another side to my question. Are the films paid for by the departments which order them, and, if so, on what basis?

Mr. CLAXTON: They are paid for by the departments which order them on the basis of the cost of production. The film board itself has a cost accounting system which enables the cost of each film to be allocated to that film; and then a certain percentage is added for overhead. The total amount is charged to the department, which then makes the payment, covering the actual cost of that film.

Mr. MACDONNELL (Muskoka-Ontario): If the film board are paid the full cost of all the work they do for the other departments, I take it that the direct vote for the film board must be for work they do for someone else?

Mr. CLAXTON: The film board actually produced in the period under review, namely 1945-46, a total of 310 films. It has a very large number of subjects. Of that number a total, which I estimate might amount to 120, were produced for other departments.

Perhaps I had better give a general picture of the board's operations. Because of the way in which they have developed during the war, it has been perhaps difficult for hon. members to appreciate their extent. I remember the hon. member for Davenport speaking of them with great knowledge and appreciation some time ago. Since then, there have been a number of developments to which I shall refer.

Mr. MacNICOL: I am going to suggest one or two in a moment.

Mr. MacINNIS: Even if the films produced by the board are paid for by the other departments or by commercial organizations, that would not affect the item in the estimates for the board?

Mr. CLAXTON: No.

Mr. MacINNIS: That is the point I wanted to know.

Mr. CLAXTON: The estimates for the film board for this year are found in three items in these estimates, votes 244, 245 and 246, in a total of $1,106,465, and three items, votes 581, 582 and 583 in the demobilization and reconversion estimates for a total of $1,030,683. The corresponding figures for the ordinary estimates for the previous year, 1945-46, will be found in vote 230, for $810,965, and the war appropriation is to be found at page 556 of Hansard, September 28, 1945, of $1,780,000, as well as vote 537 in the supplementary estimates for $335,000, making a total of $2,925,965. This amount includes a revolving fund of $500,000. Apart from the revolving fund, the amount sought for this year represents a reduction of $288,817, or twelve per cent, from the amount sought last year. The amount also that the board anticipates to obtain from other government departments will be substantially reduced, because a large sum was provided for war activities of the armed forces, the national war finance committee and other government activities which related particularly to the war.

The national film board filed its annual report covering the period ended March 31, 1945, in October, 1945. The annual report for the year ended 31st March, 1946, will be filed as soon as possible.

During the year, film board officials, in consultation with the auditor general and the comptroller of the treasury, have made a number of improvements in the system of accounting which have been designed to reconcile the situation brought about through the film board being in some respects analagous to a commercial undertaking and at the same time an agency of the government. To carry out still further the recommendations of the auditor general, the form in which the estimates are presented has been changed to provide funds for general and technical administration. These funds were formerly secured by assessing an overhead charge against each production.

During the year under review, that is 1945-46, the film board has carried on its activities in many fields. Altogether a total of 310 film subjects have been produced. I could, if hon. members wanted, put before the committee or place on *Hansard* a list of all the 310 titles produced during the year, with particulars of the government service for which they were produced, of their general nature, and such other information.

Mr. MacNICOL: Would the minister permit a question? Has he any information about the number of films produced that have to do with developing industry through showing operations of industrial plants?

Mr. CLAXTON: There are quite a number devoted to that purpose, and I will give the hon. member full information about them as I come to it in my notes.

Mr. HAZEN: I think it would be valuable to have the names of these films put on record.

Mr. CLAXTON: I shall be glad to do that. I warn hon. members that it will be lengthy; it will take up several pages of *Hansard,* but if there is unanimous consent, and at the request of the committee, I shall be glad to do it. As I say, it will occupy several pages.

Mr. HAZEN: I should like to be informed at the same time what each film cost to produce, and what revenue was paid for it, or what amount was paid by some other department for it?

Mr. CLAXTON: The cost is on the list, and in cases where it comes from another department the revenue will be equal to the total cost. In the case of revenue from commercial sources the revenue is not shown; that would have to be worked out and allocated to each film, which might take some time, but that is relatively a small item in the total picture.

The tabulation is as follows:

NATIONAL FILM BOARD

ESTIMATES 1946-47

National Film Board Productions Completed in Fiscal Year 1945-46

NOTE: 1) The costs on theatrical newsclips include charges for 111 release prints.
2) An asterisk * before the production number indicates that a French version has been made and included in the costs.
3) Abbreviations: National Film Board—NFB, Wartime Information Board—WIB, Munitions & Supply—M&S, Wartime Prices and Trade Board—WPTB, National War Finance Committee—NWFC, National Defence—ND, Veterans' Affairs—DVA, Post Office Department—POD, National Health and Welfare—NH&W.

Sponsor	Prod. No.	Titles	Length	Size	Colour	Distribution	Costs 1945-46
							$ cts.
		"CANADA CARRIES ON"					
NFB	01-501	Gateway to Asia	1 reel	35mm	B&W	Theatrical—"Canada Carries On" Series	3,781.60
NFB	*01-504	Atlantic Crossroads	1 reel	35mm	B&W	" " "	1,827.40
NFB	*01-511	Road to the Reich	1 reel	35mm	B&W	" " "	300.54
NFB	01-514	Headline Hunters	1 reel	35mm	B&W	" " "	9,665.96
NFB	*01-520	Ordeal By Ice	1 reel	35mm	B&W	" " "	6,988-01
NFB	01-523	A Harbour Goes to France	1 reel	35mm	B&W	" " "	684.86
NFB	01-525	It Happened in Springfield (preface)	102'	35mm	B&W	Theatrical Release "	418.15
WPTB & NFB	01-527	To The Ladies	1 reel	35mm	B&W	Theatrical—"Canada Carries On" Series	11,395.79
NFB	01-529	Music In The Wind	1 reel	35mm	B&W	" " "	8,247.95
NFB	*01-531	Toronto Symphony	1 reel	35mm	B&W	" " "	23,575.35
NFB	01-533	Suffer Little Children	1 reel	35mm	B&W	" " "	8,365 01
NFB	*01-534	A City Sings	1 reel	35mm	B&W	" " "	5,850.72
NFB	*01-535	Jobs for Vets (Back to Jobs)	1 reel	35mm	B&W	" " "	2,722.76
	07-015	This Is Our Canada	2 reels	35mm	B&W	" " "	13,201.54
		NOTE: "Toronto Symphony" shows igher costs as sufficient film footage was secured on this production for an additional film, and foreign language production costs were consequently low—see "Non-Theatrical Productions".					
		"WORLD IN ACTION"					
NFB	* 1049	John Bull's Own Island	2 reels	35mm	B&W	Theatrical-"World In Action" Series	1,829.69
NFB	01-006	Maps In Action	2 reels	{35mm 16mm}	B&W	Non-Theatrical	2,022.31
NFB	*01-010	Now—The Peace	2 reels	35mm	B&W	Theatrical—"World In Action" Series	13,606.09
NFB	*01-011	Food—Secret of the Peace	1 reel	35mm	B&W	" " " "	14,501.41
NFB	01-012	Spotlight On The Balkans	1 reel	35mm	B&W	" " " "	7,101.15
NFB	01-013	Guilty Men	1 reel	35mm	B&W	" " " "	10,479.87
		NOTE: In addition to above titles, preliminary production work was done on three films not yet released.					
		GENERAL THEATRICAL RELEASES					
NFB	*04-903	Salute To A Victory	1 reel	35mm	B&W	Theatrical	7,385.82
NFB	04-905	War is Over (The)	½ reel	35mm	B&W	"	2,389.23
WPTB& NWFC	06-511	Canada's Greatest Victory Loan	1 reel	35mm	Colour	"	*31,704.41
		NOTE: *Relatively high costs on this subject were the result of necessary revision in colour work required after V-E Day.					

		LES REPORTAGES (FRENCH NEWSREELS)						
WIP	10-000	Les Reportages (French newsreels released theatrically and non-theatrically in the Province of Quebec. There are three issues each month).	.....	{35mm 16mm}	B&W	Theatrical and Non-Theatrical.....		105,665.94
	Issue No.							
	96	Air Observer School No. 9.....	950′	{35mm 16mm}	"	"	"	
	97	Winter Sports.....	875′	{35mm 16mm}	"	"	"	
	98	Members of the Maquis in Canada CBC Sackville Short Wave Station A Soldier Returns.....	978′	{35mm 16mm}	"	"	"	
	99	Sports Events.....	400′	35 & 16mm	"	"	"	
		Logging.....	450′	"	"	"	"	
	100	Pan-American Day.....	150′	"	"	"	"	
		Radiomonde.....	800′	"	"	"	"	
	010	Sherbrooke Embellishing Campaign.....	924′	"	"	"	"	
	102	Art Gallery.....	958′	"	"	"	"	
	103	V-E Day Celebration in Province of Quebec and Ottawa.....	815′	"	"	"	"	
		Lesson of World War 1.....	135′	"	"	"	"	
	104	Canadian Exhibition in Paris.....	325′	"	"	"	"	
		Youth Movement.....	225′	"	"	"	"	
		Centenary of Anatole France.....	400′	"	"	"	"	
	105	School of Ceramists in St. Joseph de Beauce, P.Q.....	901′	"	"	"	"	
	106	St. John the Baptist Day, June 24, in Montreal.....	200′	"	"	"	"	
		Trout Fishing.....	500′	"	"	"	"	
		Canadian Women Help to Maintain Price Control.....	135′	"	"	"	"	
	107	Handicrafts in Quebec City.....	250′	"	"	"	"	
		Hindoo Sailors in Sorel.....	700′	"	"	"	"	
	108	National Catholic Students'Congress in Montreal.....	950′	"	"	"	"	
	109	Trois Pistoles Summer School.....	950′	"	"	"	"	
	110	Strawberries.....	950′	"	"	"	"	
	111	L'Or Noir (Wealth of the Foothills).....	925′	"	"	"	"	
	112	Blueberries.....	1300′	"	"	"	"	
	113	Summer Sports.....	850′	"	"	"	"	
	114	The Zoo.....	1 reel	"	"	"	"	
	115	Genealogical Institute.....	959′	"	"	"	"	
	116	Wild Horses.....	950′	"	"	"	"	
	117	Children's Library in Montreal.....	950′	"	"	"	"	
	118	Removal of Snow in Montreal Students' Provide Relief.....	1005′	"	"	"	"	
		NEWSREELS						
		THEATRICAL NEWSCLIPS						
ND(ARMY)	01-538	True Glory Trailer.....	150′	35mm	B&W	Theatrical.....		522.47
WIP	04-164	Dominion Provincial Conference.....	3 clips	"	"	"		5,366.73
NWS	04-524	Magazines for Morale.....	142′	"	"	"		979.99
POD	04-531	This Side Up.....	73′	"	"	"		1,321.74
Labour	04-532	Canada Needs Nurses.....	150′	"	"	"		1,158.76
M&S	04-533	You're Only a Foot from Trouble.....	145′	"	"	"		943.59
Labour	04-535	Students for Farms.....	140′	"	"	"		1,547.20
NH&W	04-536	Announce Relationship Between Family Allowance and Income Tax.....	146′	"	"	"		1,368.79

NATIONAL FILM BOARD

ESTIMATES 1946-47

National Film Board Productions Completed in Fiscal Year 1945-46

NOTE: 1) The costs on theatrical newsclips include charges for 111 release prints.
2) An asterisk * before the production number indicates that a French version has been made and included in the costs.
3) Abbreviations: National Film Board—NFB, Wartime Information Board—WIB, Munitions & Supply—M&S, Wartime Prices and Trade Board—WPTB, National War Finance Committee—NWFC, National Defence—ND, Veterans' Affairs—DVA, Post Office Department—POD, National Health and Welfare—NH&W.

Sponsor	Prod. No.	Titles	Length	Size	Colour	Distribution	Costs 1945-46
							$ cts.
Labour	04-538	Farmers Need Help to Avoid Food Shortage	138′	"	"	"	950.81
WPTB	04-539	Canadian Women Help Maintain Price Control	140′	"	"	"	1,642.25
WPTB	04-540	World Sugar Supplies Reach Dangerous Low	140′	"	"	"	1,438.55
Labour	04-541	A Call for Farm Commandos	225′	"	"	"	941.78
WPTB	04-542	Moving to Another City	145′	"	"	"	1,301.73
WPTB	04-543	Canadian Women Remodel Weary Wardrobes	140′	"	"	"	1,629.54
NH&W	04-544	Community Chest	155′	"	"	"	1,573.09
MAB	04-545	Clothing Newsclip—Want in Wartorn Europe	150′	"	"	"	1,094.98
Labour	04-546	Labour for the Farms	132′	"	"	"	941.14
NWS	04-547	Red Shield Home Front Appeal	150′	"	"	"	1,447.28
NH&W	04-548	Immunization Clip—Hon. Brooke Claxton	150′	"	"	"	1,447.28
WPTB	04-549	Can Meat to Win the Peace	150′	"	"	"	1,217.53
Mulberry Ex.	04-555	Mulberry Comes to Canada	150′	"	"	"	634.47
NFB	04-551	Better Education—Better Canada	150′	"	"	"	1,689.31
POD	04-554	Proper Addressing	140′	"	"	"	1,105.98
POD	04-555	Mail Early	145′	"	"	"	1,244.28
Labour	04-556	Fifty Thousand Woodsmen	145′	"	"	"	1,324.27
CIS	04.557	Homes for Veterans	78′	"	"	"	1,300.67
Dept. Health (Ont.)	04-558	Christmas Seal Campaign 1945	75′	"	"	"	233.36
WPTB	04-559	Ration Fashion	70′	"	"	"	905.33
NFB	04.561	Students Provide Relief	75′	"	"	"	1,928.37
H&W	04-562	Brock Chisholm	75′	"	"	"	644.52
NWFC	04-719	Ross Munro Reports More Equipment Needed	100′	"	"	"	851.78
NWFC	04-721	Matthew Halton Urges Support of 8th Victory Loan	140′	"	"	"	766.61
NWFC	04-722	Canadian Airman Tells of Night Raid on Brunswick	149′	"	"	"	1,290.89
NWFC	04-723	LSB Shapiro Speaks on Eighth Victory Loan	130′	"	"	"	987.92
WPTB	06-509	The Lesson of World War I	134′	"	"	"	740.39
WPTB	06-510	Inflation, Deflation	140′	"	"	"	3,784.59
		CANADIAN ARMY FILM UNIT					
		Stories shot by Canadian Army Film Unit and released by newsreel distributors throughout Canada, the United States and South America. The following is a list of stories released during the past fiscal year.					
WIP	4060			"	"	"	106,756.88
April		Canadian Forces Moving up on Xanten.					
		Allies Cross the Rhine.					
		Red Cross Clothing Issue.					
		Sgt. Weeks Cartoonist.					
		J.S.B. Shapiro Speaks of 8th Victory Loan.					

May		The Queen Visits Our Wounded.					
		Canadian 1st Army Liberating Holland.					
		Holland Celebrates Peace—Canadian Liberators.					
June		Canadian Troops in Holland.					
		Canadians Leave Holland.					
		S.S. Europa Captured.					
July		Chinese 1st Army Meets Canadian 1st.					
		Canadians See Horse Racing—Holland.					
		Canadian Troops Arrive in Berlin.					
		Queen Wilhemina Returns to Holland.					
September		Canadian Army Wives.					
		CWACs in Holland.					
		Canucks in Amsterdam.					
		Beaver Yacht Club.					
		Monty's Plane Crashes.					
November		P.M. Arrives in England.					
		Canadian Troops Prepare for Victory Loan.					
		Canada's New Governor General at Home.					
		Vehicles for UNRRA.					
December		Clothing for UNRRA.					
		Gymkhana.					
January		Kurt Myer Trial.					
		CWAC Pipe Band Entertains.					
February		Canadian Engineers Restore German Railways.					
March		Canadian Padre Gets V.C.					
		NEWSREEL STORIES					
		News stories are shot by National Film Board crews and stories are released through newsreel distributors throughout Canada, the United States, the U.K., and South America. The following is a list of stories released during the past fiscal year.					
WIP				35mm	B&W	Theatrical	$ 173,529.98
April	04-105	Soap and Cannef Beef for UNNRA.					
	04-091	Harrison Hot Springs Convalescent Home.					
	04-058	C.B.C. Short Wave Station.					
	04-112	Signing of Food Agreement.					
May	04-097	Baby Clinic.					
	04-119	Premier King at World Conference.					
	04-130	V-E Day.					
	04-118	Signing of Protocol.					
	04-089	Electronics for Mutual Aid.					
	04-101	Railway Cars for Russia.					
June	04-108	Canadian War Artists.					
	04-129	Alaskan Rescue Squad.					
July	04-142	Scout Rally.					
	04-156	Princess Juliana Departs.					
	04-157	Regent of Iraq.					
	04-164	Dominion Provincial Conference on Reconstruction.					
August	04-123	Spruce Budworm.					
	04-178	V-J Day.					
	04-165	Sea Cadets.					
	04-087	Pulp to Textiles.					

NATIONAL FILM BOARD

ESTIMATES 1946-47

National Film Board Productions Completed in Fiscal Year 1945-46

NOTE: 1) The costs on theatrical newsclips include charges for 111 release prints.
2) An asterisk * before the production number indicates that a French version has been made and included in the costs.
3) Abbreviations: National Film Board—NFB, Wartime Information Board—WIB, Munitions & Supply—M&S, Wartime Prices and Trade Board—WPTB, National War Finance Committee—NWFC, National Defence—ND, Veterans' Affairs—DVA, Post Office Department—POD, National Health and Welfare—NH&W.

Sponsor	Prod. No.	Titles	Length	Size	Colour	Distribution	Costs 1945-46
							$ cts.
September ..	04-124	Western Oil.					
	04-151	Decommissioning Corvettes.					
	04-131	Flaked Fish for UNNRA.					
	04-177	Reconversion in Canada.					
October.....	04-128	Wild Horse Round-Up.					
	04-180	Premier Soong in Ottawa.					
	04-172	Glider School.					
	04-185	Japanese Balloons.					
	04-160	Salmon Fishing.					
	04-153	Amputee Servicemen.					
November...	04-182	Mulberry Exhibit.					
	04-195	Canada's First Ambassador to Greece.					
	04-196	Chilean President Visits Ottawa.					
	04-175	Montreal Air Conference.					
	04-132	Legion of Merit Award to Adjutant-General.					
December...	04-189	Canadair.					
	04-197	Ceramics.					
	04-162	Yellow Knife.					
	04-496	Clothes for UNRRA.					
	04-176	Aluminum.					
January.....	04-210	Musk Ox.					
	04-205	Canadian Citizens.					
February....	04-213	U.N.O.					
	04-212	Dominion Provincial Conference.					
March.....	04-201	Diamond Cutting.					
	04-219	British Loan.					
		FRONT LINE REPORTS					
		Newsreels made up from edited material and screened on Industrial and Rural Circuits programs. Since these are made from CAFU material, the costs are included with CAFU. The following is a list of these, showing contents of each. This series has been discontinued.					
	Issue No.						
	9	Canadian Exhibition Item	1 reel	16mm	B&W	Non-Theatrical.	
		Assault on the Reich	1 reel	"	"	"	
		Submarine Hunt	1 reel	"	"	"	
		Pacific Task Force	1 reel	"	"	"	

WIP.....	Issue No.					
	10	Canadian Army in Germany	1 reel	16mm	B&W	Non-Theatrical
		Navy in Egypt	1 reel	"	"	"
		Canadian Sailors Visit Cairo	1 reel	"	"	"
		Allied Air Force Cuts Enemy Communications	1 reel	"	"	"
		Sweaters for Soldiers	1 reel	"	"	"
		Soldier Cartoonists	1 reel	"	"	"
		CANADA COMMUNIQUE				
		These are issued twice monthly and are distributed through Auxiliary Services for the Fighting Forces overseas. The Communiques are made up for the most part from newsreel material shot in Canada by the National Film Board cameramen. Since these are made up of newsreel material, the costs are included with the newsreels. This series has been discontinued and is being replaced by Canadian Screen Magazine. Following is a list of Canada Communiques issued during the past fiscal year:				
		Issue No. 17.				
	04-033	Ice Follies	1 reel	16mm	B&W	Armed Services
		Old Time Stars Shine Again	1 reel	"	"	"
		More Hockey	1 reel	"	"	"
		Issue No. 18.				
	04-117	Vocational Training	1 reel	"	"	"
		Baby Clinic	1 reel	"	"	"
		H.M.C.S. *Nadan* Swim Tank	1 reel	"	"	"
		Issue No. 19.				
	04-140	Fish Unlimited	1 reel	"	"	"
		The Mermaid Story	1 reel	"	"	"
		Snafu "Three Brothers"	1 reel	"	"	"
		CANADIAN SCREEN MAGAZINE				
	Issue No.					
	1	Railway Cars for Russia	1 reel	16mm	B&W	Non-Theatrical
		Rehabilitation	1 reel	"	"	"
		Soap for UNRRA	1 reel	"	"	"
	Issue No.					
	2	Wild Horse Round-Up	1 reel	"	"	"
		Pulp to Textiles	1 reel	"	"	"
		Provisional International Civil	1 reel	"	"	"
		Aviation Organization	1 reel	"	"	"
		Yachting in Holland	1 reel	"	"	"
	04-193	Horse Show in Holland	1 reel	"	"	"
	Issue No.					
	3	Gen. La Fleche, Greece	1 reel	"	"	"
		Glider Club	1 reel	"	"	"
		Reconversion—Aluminum	1 reel	"	"	"
		F.A.O.	1 reel	"	"	"
	04-200	Queen Elizabeth	1 reel	"	"	"

63260—231 REVISED EDITION

NATIONAL FILM BOARD

ESTIMATES 1946-47

National Film Board Productions Completed in Fiscal Year 1945-46

NOTE: 1) The costs on theatrical newsclips include charges for 111 release prints.
2) An asterisk * before the production number indicates that a French version has been made and included in the costs.
3) Abbreviations: National Film Board—NFB, Wartime Information Board—WIB, Munitions & Supply—M&S, Wartime Prices and Trade Board—WPTB, National War Finance Committee—NWFC, National Defence—ND, Veterans' Affairs—DVA, Post Office Department—POD, National Health and Welfare—NH&W.

Sponsor	Prod. No.	Titles	Length	Size	Colour	Distribution	Costs 1945-46
							$ cts.
	Issue No. 4	Canadair	1 reel	"	"	"	
		Salmon Run	1 reel	"	"	"	
		Amputations	1 reel	"	"	"	
		Ceramics	1 reel	"	"	"	
	04-208 Issue No. 6	Operation Stork	1 reel	"	"	"	
		Aluminum	1 reel	"	"	"	
		Muskrat Trapping	1 reel	"	"	"	
		Western Oil	1 reel	"	"	"	
		CWAC Pipe Band in Paris	1 reel	"	"	"	
		Diamond Cutting	1 reel	"	"	"	
	Issue No. 5	Was replaced by "O Canada"					
		EYES FRONT The Armed Forces newsreel, "Eyes Front", is made for the Department of National Defence by the National Film Board. It consists of original stories, regular edited material and material released through the courtesy of the U.S. Signal Corps from "Army Navy Screen Magazine." "Eyes Front" plays fortnightly or monthly on the regular entertainment circuits through camps of the Armed Forces in Canada.					
ND(ARMY)	7028 Issue No. 15	Eyes Front		16mm	B&W	Armed Forces in Canada	$ 14,692 52
		Canadian Sailors Visit		"	"	" "	
		Norwegian Fishermen		"	"	" "	
		Ice Follies of 1945		"	"	" "	
		Target SNAFU		"	"	" "	
	16	Auxiliary Services in Action		"	"	" "	
	17	The Japanese Soldier		"	"	" "	
	18	Looking for a Job		"	"	" "	
		Nazi Atrocities		"	"	" "	
	19	Vocational Training		"	"	" "	
		Weapon of War		"	"	" "	
	20	School and University Opportunities		"	"	" "	
		Snafu—"Three Brothers"		"	"	" "	

ND (Army)	Issue No.						
	21	Awaiting Returns of Enterprise Benefit	.....	16mm	B&W	Armed Forces in Canada	
		Burma	.....	"	"	"	
	22	Dentally Fit	.....	"	"	"	
	23	Sing Song—Clementine	.....	"	"	"	
		Rehabilitation Clip—Soldier Returns	.....	"	"	"	
		Hill 700	.....	"	"	"	
	24	Money, Goods and Prices	.....f.	"	"	"	
	25	Waltzing Matilda	.....	"	"	"	
		Re-establishment Credit	.....	"	"	"	
		Fish Unlimited	.....	"	"	"	
	26	Rehabilitation of Muskrats	.....	"	"	"	
		Medical Treatment for Ex-Servicemen	.....	"	"	"	
	27	Command Performance with Bob Hope	.....	"	"	"	
	28	Snafu in "It's Murder She Says"	.....	"	"	"	
		Rehabilitation of Ex-Servicewomen	.....	"	"	"	
	29	Rackets	.....	"	"	"	
	Special Issue	Television (without regular "Eyes Front" Titles)	.....	"	"	"	
	30	Honourable Discharge	.....	"	"	"	
		Snafue in "Hot Spot"	.....	"	"	"	
	31	Canada's Crerar	.....	"	"	"	
		NON-THEATRICAL PRODUCTIONS					
NFB	*3034–1	Trees That Reach the Sky	1 reel	16mm	B&W	Non-Theatrical	5,363.57
Labour	6053	Of Japanese Descent	1 reel	"	Kodachrome	"	1,721.35
NFB	3026	Salmon Run	2 reels	"	B&W	"	
NFB	*01–507	After Work	1 reel	35 & 16mm	"	"	696.21
NFB	01–517	Wings Over Canada	2 reels	35mm	"	"	1,803.92
Labour	02–009	L'Ecole Du Travail	2 reels	.....	"	"	5,835.65
NFB	02–014	Labour Looks Ahead	1 reel	35 & 16mm	"	"	928.21
Labour	*02–026	Back to Work	2 reels	35mm	"	"	3,751.95
WIB	02–029	Veterans in Industry	2 reels	.....	"	"	18,414.64
WIP	02–039	Veterans in Industry Preface and Trailer	½ reel	.....	"	"	2,791.96
DVA	*03–007	Road to Recovery and Limbs to Order	3 reels	35mm	"	"	5,608.24
DVA	03–009	Home to the Land (Fr.)	2 reels	35 & 16mm	"	"	195.60
WIB & NFB	03–010	Road to Civvy Street	2 reels	.....	"	"	20,286.96
DVA	*03–011	New Limbs for Old	7 reels	.....	Kodachrome	"	3,093.51
NFB	03–021	Victory Loan Medley	3 reels	.....	B&W	"	405.19
NWFC	*04–718	48 Hour Leave	1½ reels	16mm	"	National War Finance Circuits	303.34
NFB	04–901	The Peace Builders	1 reel	"	"	Non-Theatrical	1,219.44
WIP	05–016	Inflation Dangers	1 reel	.....	"	"	378.37
WIB	06–007	The Business of Farming	1 reel	16mm	"	"	247.57
ARMY	06–008	Exercising Eskimo.....931	8 reels	.....	"	National Research Council	12,899.27
BATM	06–011	Spotting Fall of Shot with Radar	.....	35mm	"	"	8,467.42
NWFC	06–512	Post V-E Dangers of Inflation	1 reel	.....	"	"	19,969.38
NWFC & WPTB	*06–513	Inflation Dangers	1 reel	.....	"	"	18,377.25
RCAF	07–005	Hygiene for Health	1 reel	16mm	Kodachrome	National Research Council and Armed Services	9,285.70

NATIONAL FILM BOARD

ESTIMATES 1946-47

National Film Board Productions Completed in Fiscal Year 1945-46

NOTE: 1) The costs on theatrical newsclips include charges for 111 release prints.
2) An asterisk * before the production number indicates that a French version has been made and included in the costs.
3) Abbreviations: National Film Board—NFB, Wartime Information Board—WIB, Munitions & Supply—M&S, Wartime Prices and Trade Board—WPTB, National War Finance Committee—NWFC, National Defence—ND, Veterans' Affairs—DVA, Post Office Department—POD, National Health and Welfare—NH&W.

Sponsor	Prod. No.	Titles	Length	Size	Colour	Distribution	Costs 1945-46
							$ cts.
NFB	05-016	Three Blind Mice (B&W version)	1 reel	" 35mm	B&W	National Research Council	4,379.78
NWS	07-012	Guests of Honour	2 reels	16mm	B&W		4,578 87
	07-017	Goodbye Mr. Gyp	1 reel	16mm	B&W		4,935.02
ND (Army)	07-024	Foot Research	450'	16mm	B&W		625.52
M&S	07-026	Tire Research	750'	16mm	B&W		698.66
NFB	07-033	The Victorian Order of Nurses	200'	16mm	B&W		533.18
ND (Army)	08-001	Psychological First Aid	1½ reels	16mm	B&W		203.38
M&S & WIP	08-002	Ships and Men	2 reels	16mm	B&W		295.22
NFB	08-005	Wealth of the Foothills			B&W		2,042.77
NFB	08-101	Peoples of Canada (German)	2½ reels	16mm	B&W	Occupied Germany and Prisoner of War Camps	2,081.52
NFB	08-102	Great Lakes (German)		16mm	B&W	" " " "	1,672.52
NFB	08-103	Highways North (German)	1½ reels	16mm	B&W	" " " "	799.42
NFB	08-104	Quebec, Path of Conquest (German)	1 reel	16mm	B&W	" " " "	891.97
NFB	08-105	Portage (German)		16mm	B&W	" " " "	378.02
NFB	08-107	Northwest by Air (German)	1½ reels	16mm	B&W	" " " "	1,160.54
NFB	08-108	Iceland on the Prairies (German)		16mm	B&W		1,000.68
NFB	08-110	Montreal (German)	1 reel	16mm	B&W		875.99
NFB	08-302	Northwest by Air (Dutch)	1½ reels	16mm	B&W		721.21
NFB	08-509	UNRRA (Spanish)	1471'	16mm	B&W		3,554.88
NFB	08-510	Wings Over Canada (Spanish)	1 reel	16mm	B&W		1,976.67
NFB	08-511	Fighting Sea Fleas (Spanish)	1 reel	16mm	B&W		1,049.24
NFB	08-512	After Work (Spanish)	1 reel	16mm	B&W		961.38
NFB	08-514	Art for Children (Spanish)	1 reel	16mm	B&W		718.17
NFB	08.513	Western Oil (Spanish)		16mm	B&W		2,592.01
NFB	08-515	Great Canadian Shield (Spanish)	1017'	16mm	B&W		693.60
NFB	08-516	Back to Work (Spanish)	1½ reels	16mm	B&W		1,037.65
NFB	08-517	Trappers of the Sea (Spanish)	750'	16mm	B&W		909.81
NFB	08-519	Music in the Wind (Spanish)	1 reel	16mm	B&W		936.70
NFB	08-521	Ordeal by Ice (Spanish)	800'	16mm	B&W		790.25
NFB	08-522	Toronto Symphony (Spanish)	1066'	16mm	B&W		692.19
UNRRA	08-609	UNRRA (Portuguese)	1471'	16mm	B&W		2,328.67
NFB	08-611	Fighting Sea Fleas (Portuguese)	967'	35mm	B&W		1,230.20
NFB	08-612	After Work (Portuguese)	960'	35mm	B&W		819.23
NFB	08-613	Western Oil (Portuguese)		16mm	B&W		1,110.77
NFB	08-615	Great Canadian Shield (Portuguese)		16mm	B&W		691.02
NFB	08-616	Back to Work (Portuguese)		16mm	B&W		848.14
NFB	08-617	Trappers of the Sea (Portuguese)	750'	16mm	B&W		743.85
NFB	08-618	Painters of Quebec (Portuguese)	800'	16mm	B&W		1,183.76
NFB	08-622	Toronto Symphony (Portuguese)	1066'	16mm	B&W		306.57
NFB	08-801	Peoples of Canada (Danish)	2404'	16mm	B&W		1,093.96

NFB	08-802	Northwest by Air (Danish)		16mm	B&W		455.37
NFB	09-001	Soil for Tomorrow	4 reels	16mm	Kodachrome		7,580.13
T&C	09-002	Certified for Seed	2 reels	16mm	Kodachrome	Rural Circuits	438.35
NFB	09-008	Windbreaks on the Prairies (revision)	2 reels	16mm	Kodachrome	"	1,367.28
NFB	09-011	Early start (Boys & Girls Clubs)	2 reels	16mm	B&W	"	3,671.26
NWFC	09-012	Want a Life (French)	1375′	35mm	B&W	French Rural Circuits	}
			550′	16mm	B&W	" "	} 711.68
NWFC	09-013	Five Steps to Better Farm Living (French)	1 reel	16mm	B&W	" "	112.34
NFB	09-016	Let's All Sing Together No. 4	837′	35mm	B&W	Rural Circuits	96.88
			335′	16mm	B&W	"	
NFB	09-017	Let's All Sing Together No. 5		16mm	B&W	"	1,197.73
NFB	09-108	Let's All Sing Together No. 6		16mm	B&W	"	2,395.19
WIB	09-109	Land for Men (Reestablishment on the Land)	2 reels	16mm	B&W	Non-theatrical	14,882.25
NWFC	09-020	Kitchen Come True (Science on the Farm)	2 reels	35mm	B&W	"	11,707.54
NFB & Que. Gov.	10-509	Caisses Populaires	2800′	35mm	B&W	French Circuits	971.00
WIB	10-510	Work and Wages (Economic Stabilization)	1350′	16mm	B&W	Non-theatrical	10,259.41
NFB	10-511	River of Canada (French)	2 reels	16mm	B&W	Non-theatrical	114.27
NFB	10-513	Certified for Seed (French)	2 reels	16mm	B&W	Non-theatrical	280.49
NFB	10-514	Main Street Canada (French)	1800′	16mm	B&W	Non-theatrical	3,110.87
NFB	10-517	Fundo in Chile (French)	2 reels	16mm	B&W	Non-theatrical	706.37
NFB	10-518	Montevideo Family (French)	2 reels	35&16mm	B&W	Non-theartical	697.23
NFB	10-521	Station Biologique in Granby (French)	1724′	16mm	B&W	Non-theatrical	17,269.33
NFB	10-522	Oblate Fathers Centenary Western Can. (French)	1 reel	16mm	B&W	Non-theatrical	1,053.04
NFB	10-524	Junior Chamber of Commerce Convention in Granby	1724′	35&16mm	B&W	Non-theatrical	2,108.24
NH&W	11-005	To the People	2 reels	35mm	B&W	Non-theatrical—Provincial Departments of Health	510.79
NFB	12-003	*Life on the Western Marshes	700′	16mm	Kodachrome	Non-theatrical	799.54
NFB	12-008	Trappers of the Sea	750′	16mm	Kodachrome	Non-theatrical	531.30
P&NH	12-009	Pro-Rec in British Columbia	720′	16mm	B&W	Department Nat. Health & Welfare	85.33
NFB	12-010	Newfoundland Sentinel of the Atlantic	666′	16mm	Kodachrome	Rural Circuits & Film Libraries	2,816.10
NFB	12-014	The Great Canadian Shield	430′	16mm	Kodachrome	Non-theatrical	2,084.17
NFB	12-016	Libraries on Wheels	500′	16mm	B&W	Rural Circuits & Film Libraries	2,432.90
NFB	12-020	Musical Overtures No. 7, No. 8	1000′ ea	35mm			
			400′ ea	16mm	B&W	Rural Circuits	27.01
NFB	12-021	Warble Fly (revision)	2 reels	16mm	Kodachorme	Non-theatrical	78.59
NFB	12-506	River of Canada (Spanish)	2 reels	16mm	B&W	Non-theatrical	33.87
NFB	12-507	Montreal (Spanish)	1 reel	16mm	B&W	Non-theatrical	143.91
NFB	12-604	Trans Canada Express (Portuguese)	1 reel	16mm	B&W	Non-theatrical	928.46
NFB	12-606	River of Canada (Portuguese)	2 reels	16mm	B&W	Non-theatrical	186.37
NFB	12-607	Montreal (Portuguese)	2 reels	16mm	Kodachrome	Non-theatrical	153.90
NFB	12-703	Ballot Boxes (French)	1 reel	16mm	B&W	Non-theatrical	2,302.37
NFB	15-006	Toronto Symphony No. 1	1 reel	16mm	B&W	Non-theatrical	3,912.49
NFB	15-007	Toronto Symphony No. 2	1 reel	16mm	B&W	Non-theatrical	4,384.67

NON-THEATRICAL CLIPS AND TRAILERS

Labour	02-024	Labour Management Discussion Trailer (French)	525′	35mm	B&W	Non-Theatrical & Trade Union Circuits	9.44
NFB	02-028	"Land for Pioneers" Discussion Trailer	870′	35mm	"		
			348′	16mm	"	Trade Union Circuits	123.24
NFB	02-032	National Union Labour Film Committee	135′	35mm	"	"	116.52
			54′	16mm	"		
NFB	02-033	Valley of the Tennessee (Disc. Trl.)	615′	35mm	"	Non-Theatrical	2,346.11
			246′	16mm	"		
NFB	02-037	Now the Peace (Disc. Tr.)	555′	35mm	"	Non-Theatrical	1,176.56
			222′	16mm	"		
WPTB	02-038	Story with Two Endings (Disc. Tr.)	305′	16mm	"	Trade Union Circuits	1,580.41
NFB	02-042	Now the Peace (Disc. Tr.)	525′	16mm	"	Non-Theatrical	120.12
NFB	02-043	Food—Secret of the Peace (Disc. Tr.)	622′	16mm	"	Circuits	3,215.58

NATIONAL FILM BOARD

ESTIMATES 1946-47

National Film Board Productions Completed in Fiscal Year 1945-46

NOTE: 1) The costs on theatrical newsclips include charges for 111 release prints.
2) An asterisk * before the production number indicates that a French version has been made and included in the costs.
3) Abbreviations: National Film Board—NFB, Wartime Information Board—WIB, Munitions & Supply—M&S, Wartime Prices and Trade Board—WPTB, National War Finance Committee—NWFC, National Defence—ND, Veterans' Affairs—DVA, Post Office Department—POD, National Health and Welfare—NH&W.

Sponsor	Prod. No.	Titles	Length	Size	Colour	Distribution	Costs 1945-46
							$ cts.
NFB	02-044	Second Freedom (Disc. Tr.)	425'	15mm	"	Non-Theatrical	2,313.10
NFB	02-046	Racial Unity Preface & Trailer	360'	16mm	"	"	1,092.57
NFB	02-047	Discussion Trailer for Work & Wages	455'	16mm	"	Circuits	3,545.40
WPTB	03-012	Food In Europe	250'	16mm	"	Non-Theatrical	1,572.76
NH & W	03-016	To The People (Title)	20'	16mm	"	"	6.49
NWFC	04-720	Freedom Comes High (Title)	30'	35mm	"	Ontario National War Finance Circuits	
		(Picture)	470'	16mm	"		
NWFC	04-724	Business of Farming (Title)	36'	35mm	"	Rural Circuits	
			15'	16mm	"		
NWFC	04-725	My Dreams Are Getting Better	112'	16mm	"	Non-Theatrical	1,474.66
NWFC	04-726	Accentuate The Positive	93'	16mm	"	"	947.17
NWFC	04-727	Back to Normal—Clip-on Title	48'	35mm	"	NWFC Circuits	14.28
WIB	04-801	Reinstatement in Former Job	75'	35mm	"	Army & possible newsclip	216.39
WIB	04-802	Looking For A Job	146'	16mm	"	Non-Theatrical	1,341.99
WIB	04-803	Vocational Training	138'	16mm	"	"	576.75
WIB	04-804	School and University Opportunities	124'	16mm	"	"	523.65
WIB	04-805	Awaiting Returns from Enterprise	182'	16mm	"	"	868.96
WIB	05-011	Tomorrow's Timber	50'	16mm	Kodachrome	"	197.81
M & S	07-022	Jap Creeper Title	75'	16mm	B&W&	"	35.59

During this year, as hon. members will see from the list of films which I have just filed, there were thirty-eight original films produced in French, and many of these films were distributed also in English language versions. The list will show which films were in French and which were in English. But, in addition, there were a considerable number of English-speaking films which were produced in French as well. Thirty-eight films were produced in Portuguese, Spanish, German and Dutch of such titles as "People of Canada," "Northwest by Air," "Trappers of the Sea," "Wings over Canada," "Fighting Sea Fleas," "Art for Children," "Toronto Symphony," "UNRRA," "Montreal," "Great Lakes," "Music in the Wind." In addition, the board prouced during the year sixty newsreel stories which were made available to the commercial newsreels for showing in Canada, the United States, South America, the United Kingdom, Australia and many other countries, in as many as twenty different languages. Thirty-four stories about the armed forces overseas were edited for international newsreel releases. The film board produced forty news clips to be attached to commercial newsreel releases, and twenty-eight ten-minute newsreel films in several series, some for use by the armed forces in Canada and some for overseas use, as well as some for the industrial and rural circuits.

Of the work for other government departments it will be noted on the list I have filed that there were many subjects for the armed forces—exercises "Eskimo," "Lemming," "Polar Bear," as well as a film to be produced this year, "Musk Ox," "Spotting Fall of Shot," "Hygiene for Health," "Guests of Honour," "Foot Research," "Psychological First Aid," "Road to the Reich," "Headline Hunters." For rehabilitation information and veterans affairs: "Back to Work," "Veterans in Industry," "Veterans in Industry (preface and trailer)," "Road to Recovery," "Limbs to Order," "Road to Civvy Street," "New Limbs for Old," "Good-bye Mr. Gyp," "Land for Men," plus a number of trailers. In connection with war savings and finance, "Inflation Dangers," and some eight other films. Also, among subjects particularly related to agriculture, "Business of Farming," "Soil for Tomorrow," "Certified for Seed." Miscellaneous films: "Tire Research," "Victorian Order of Nurses," "Food in Europe," "Caisses Populaires," "Ships and Men." There were, as I said, thirty-four news clips on various subjects for other government departments, and eighteen complete newsreel issues of "Eyes Front" for the armed forces overseas.

Another function of the film board in addition to the production of films is to secure the distribution of Canadian films in Canada and abroad. In Canada this distribution is effected through commercial theatres, one hundred rural circuits and from ninety-six film libraries from which community film groups draw films for their meetings. The "Canada Carries On" series is shown regularly each month in 400 theatres across Canada.

In addition, the film board has produced a very large number of still pictures and of these, altogether, 38,680 were distributed by the board during the year and 18,502 were distributed abroad, mainly through the Canadian information service. Another work undertaken is to assist in the design and layout of government publications, especially the publications of the wartime information board, the rehabilitation committee, the various government departments, and other agencies of the government. It has carried on a number of photographic displays which have been used by many government departments of Canada abroad, in the United States, the United Kingdom, Australia, Mexico and Brazil.

The film board is usually represented on government inter-departmental committees having to do with information service, such as the rehabilitation committee and so on. It has taken an active part in seeing that in the field of visual representation Canada does not lag behind any country. Its films have been widely received, with increasing commendation, throughout Canada, and it is interesting to note how widely they have been appreciated in other countries. For instance, an officer of the film board was asked to go to Australia to establish an Australian film service; in New Zealand the film service is being set up along lines suggested by the film commissioner; from India, China and other countries representatives have come here to see how the work was carried on.

The board has acted at international conferences in Canada making displays of films illustrating Canada to the representatives of the foreign countries, and it has also acted for international agencies such as UNRRA, for which it has made a film, and other international organizations. In regard to distribution abroad, it has seen to the distribution of the series "World in Action" throughout a large number of commercial theatres in the United States, totalling as many as 5,000, in central and south America, where it has been shown in a total of hundreds of theatres, as well as in other countries.

The film board has offices abroad which act as distributing centres, and it has furnished to the Canadian information service, in co-operation with it, films on Canada for our

diplomatic representatives abroad so that they can show people in countries to which they are accredited pictures about Canada.

A number of libraries have been established in Canada. The hon. member for Lethbridge asked a question about the total number of films which are in the library at Ottawa. There are 1,700, and in ninety-six film libraries across Canada there is a total of 9,000 prints of many different subjects. During the year, 3,975 prints of the 310 films I mentioned were distributed to these libraries, and the number of libraries increased during the year from forty-four to ninety-six. It is estimated that in Canada, through the use of these film libraries, something like 200,000 people may see films each month, in addition to the very much larger numbers who see the films shown on the commercial screen.

Let me say, in conclusion, a word about the need of films. In almost every country, as hon. members will appreciate, there are government film units of one type or another, and governments are spending increasing sums in the interest of public information and education at home and abroad. In addition to the reasons which justify such action on the part of other countries, I think there are one or two which apply with particular reference to Canada. In the first place, Canada is adjacent to the United States, which at Hollywood produces the great bulk of films for entertainment. The magnitude of operations there, involving an expenditure of as much as $4,000,0000 on a single picture, makes it difficult for a small country like Canada to produce films for entertainment. It is probably common knowledge that this has not been successfully done in this country, and it is calculated that each week some 4,000,000 Canadians go to moving-picture houses. Each week more than 4,000,000 Canadians see from one to four American film subjects.

I do not say this by way of criticism but merely to state a fact. In the circumstances, it seems to be of vital importance that we should do what we can to give Canadians at least a chance to see films sometimes about their own country. To assist in this, the film board has played an important part in developing among Canadians an increasing knowledge of Canada, a better understanding of the points of view of Canadians in different parts of the country, and faith in the future of Canada which we believe will strengthen our determination to make our great country still greater and stronger.

The hon. member for Lethbridge asked a number of questions which I should like now to answer. In the first place, he asked the number of films and I have given that information.

[Mr. Claxton.]

He asked about lecturers using films of the national film board. The board does not employ any lecturers, but in the course of exhibiting to rural and industrial circuits, the exhibitor sometimes gives a talk in accordance with prepared material, kits as they are called, introducing the film. It may be that other talks by others are given when the films are shown.

Hon. members of all parties have at one time or another seen films shown at meetings which they have addressed, and over these the board has no control. The hon. member wished to know how many films have to do with biological subjects and how many with geological or other scientific subjects. In its preview library, the board has sixteen dealing with biological and seventeen dealing with geological or other scientific subjects. The most recent biological film was one entitled "Vegetable Insects", dealing with the life cycle of garden pests which destroy vegetable crops, and recommending methods for their eradication.

The hon. member asked how many of the films have to do with the subject of evolution and the answer is none. He wishes to know whether any of the national film board films are based upon the Bible and, if so, how many. The answer is that the film board does not produce films having to do with religious subjects.

I hope I have answered the hon. gentleman's questions. If there any that I have not covered sufficiently I shall be glad to answer any questions with reference to them. I have notes on all the subjects of films dealing with biological and similar matters, giving a description of their contents, and these I shall be glad to show the hon. member at any time.

Mr. MacNICOL: When I asked the minister a few moments ago a question about films illustrating the achievements of industry I had in mind that perhaps the estimates did not show what industrial results might come from the showing of films. I am sure that some industrial results have been achieved through the showing of films that I have seen. In that respect, I have been wondering whether the department has a line of films with regard to the large water powers of Canada: for instance, Grand falls and its watershed in New Brunswick; Shawinigan Falls plant in Quebec; the Shipshaw Power Plant, Beauharnois and Gatineau in Quebec; High falls in Ontario, west of Ottawa; Chats falls on the Ottawa river—when I say "falls" I mean power plants—the power plants on the Otonabee and Trent rivers in Ontario; the power plant operated by the city of Orillia;

the Niagara falls power plants; the Iroquois falls power plants in northern Ontario; the Spanish river power plants; Sault Ste. Marie power plants on the St. Mary river; the Nipigon river power plants in Ontario and the Winnipeg river power plants in Manitoba, and perhaps the Bow river plants in Alberta. Unfortunately there are none that I know of of any consequence in Saskatchewan. I hope the day is not far distant when Saskatchewan too will have cheap hydro power for development which must take place on the Saskatchewan river. Then there are the Powell river and Columbia river plants in British Columbia. My thought is that pictures showing the development of industry, either large or small, that have been achieved in Canada so far by these power plants which I have named would not only be intensely interesting but induce investors who wanted to come to Canada from other countries—and we hope many of them will come—to build plants in Canada. Perhaps someone in some of the United States, British or European cities, on seeing films covering something like that which I have described, would come to Canada to open up plants of some kind; I hope so.

I am not going to deal with any of the financial aspects to-night so far as the film board is concerned, because others are more capable of doing so than I am. I am interested in only one thing, namely, what the film board can do to induce the erection of industrial plants and through that provide more jobs for Canadians. I am convinced that if the film board can do one thing it ought to be able to do that. Recently we had a picture dealing with "Across Canada". It was not along the lines of what I have just mentioned, but I for one enjoyed it very much. It was shown in this building. I would hope that the board is equipped to send such films throughout the country. We have it, and we might as well make the best use of it we can with a view to developing industry and giving jobs. Others may have other ideas, but my life has been associated with organizing business to give jobs. Whatever the film board can do along that line I, for one, shall be pleased with it.

Mr. COLDWELL: Before the minister answers the hon. member may I be permitted to ask a question and thereby save time? What films are being developed for use in schools? It seems to me that films for visual education are of the utmost importance to the country at this time. I have had some experience in teaching, and I have found that it was much easier to teach some things through the eye than through the spoken word. I know that in some of the scientific subjects we get a film like "The Life History of a Frog". You can get the whole story of the development of the frog from the egg right through to the adult creature. It gives a good picture of a good many other things which might otherwise be slightly difficult to understand. What kind of library is being built up by the national film board for use in our schools, not only in science but in history, and in the teaching of even some phases of literature? The film is something that should be used more extensively than it has been.

Mr. CLAXTON: I shall be very glad to try to answer both hon. gentlemen. The hon. member for Davenport asked about what films we have showing the development of water powers in Canada. There is a very fine film called "Power from Shipshaw" which shows the development and use of that great undertaking on the Saguenay river.

Mr. MacNICOL: That was shown in the buildings; it is an excellent film.

Mr. CLAXTON: Another is "Power Valley," the St. Maurice valley which shows the development on the Shawinigan. Other power developments occur in other films, but in addition there are a great number of films which have a specific industrial purpose which were developed during the war in connection with the Department of Labour and which were shown on the industrial circuits. Then there are films such as "Ships and Men", dealing with the shipbuilding industry in Canada; "Western Oil", dealing with oil developments. There are others dealing with the great Canadian shield, mining. There is another one called "Northwest by Air", dealing with air transportation in the north. There is another one dealing with agriculture, "Certified Seed." These were produced during the current year. Among the 1,700 titles I mentioned there are dozens, if not hundreds, which relate specifically to the question asked by the hon. member for Davenport.

With regard to the films which are useful in connection with education, the film board has a considerable number of subjects of which I might mention those produced during this year which were prepared especially for school use. They are as follows: "Wealth of the Foothills"; "Early Start", "Life on the Western Marches", "Trappers of the Sea"; "Newfoundland, Sentinel of the Atlantic", and "Ballot Boxes". "Ballot Boxes" was

a film which deals with education in citizenship. In that connection, a series is being worked out in consultation with the Canada-Newfoundland educational association, which has a committee which is advising on educational films. In that committee there are representatives of various provinces, as well as of the various educational organizations, so that work is being done to prepare films but only in accordance with and to meet needs expressed by those responsible primarily for education in Canada. The board acts as a producing agency, but does not force anything on anyone. It produces subjects which meet a need which has been expressed by others in the educational field.

Mr. COLDWELL: Before the item carries, are there any items now to be dealt with other than this in the minister's department? I was going to take this opportunity of asking the minister if he will tell the committee under what circumstances or why Doctor David Shugar has been dismissed from the public service in view of the fact that there is no charge against him now and counsel for the government was unable to substantiate any charge in a court? It seems to me that a man is innocent until he is proven guilty. I understand that he was engaged from February to November and has been dismissed to take effect at the beginning of August. In the meantime he has been given leave. I should like to know why this has been done by the minister's department.

Mr. CLAXTON: Though it does not fall under either the national film board or the Canadian information service, I shall be glad to answer the hon. member at once. It was in view of the report of the royal commission as tabled in this house last week. I think hon. members will notice that in respect of Doctor Shugar there is a considerable difference between the interim report and the report as tabled. It was in view of the report that the action was taken.

The Acting CHAIRMAN (Mr. Golding): Shall the item carry?

Mr. FULTON: No.

Mr. COLDWELL: No.

Item stands.

Progress reported.

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

[Mr. Claxton.]

Monday, July 22, 1946.

The house met at three o'clock.

QUESTIONS

(Questions answered orally are indicated by an asterisk).

INTERNATIONAL MONETARY FUND

Mr. QUELCH:

1. What are the names of the members of (a) the board of governors; (b) the executive directors; (c) the managing director of the international monetary fund?
2. What remuneration is to be paid to the directors and what salary to the managing director?

Mr. MAYHEW:

1. (a) Country—Governor—Alternate

Belgium: Camille Gutt, Maurice Frere.

Bolivia: Franklin Antezana Paz.

Brazil: Francisco Alves dos Santos-Filho, Edgard de Mello.

Canada: James L. Ilsley, Graham F. Towers.

Chile: Arturo Maschke.

China: O. K. Yui, Te-Mou Hsi.

Columbia: Emilio Toro.

Costa Rica: Julio Pena Morua, Angel Coronas Guardia.

Cuba: Joaquin E. Meyer.

Czechoslovakia: Jan Viktor Mladek, Julius Pazman.

Denmark: Carl Valdemar Bramsnaes, Einar Dige.

Dominican Republic: Jesus Maria Troncoso, Jose Calzada.

Ecuador: Esteban F. Carbo.

Egypt: Ahmed Zaki Bey Saad, Mahmoud Saleh El Falaki.

El Salvador: Federico Vides.

Ethiopia: George A. Blowers.

France: Robert Schuman, Pierre Mendes-France.

Greece: Zenophon Zolotas, Alexander Loverdos.

Guatemala: Manuel Noriga Morales, Leonidas Acevedo.

Honduras: Julian R. Caceres, Jorge Fidel Duron.

Iceland: Asgeir Asgeirsson, Thor Thors.

India: Sir Chintaman Deshmukh, Sir A. Samaswami Mudalier.

Iraq: Ali Jawdat, A. M. Gailani.

Luxembourg: Pierre Dupong, Hugues Le Gallais.

Mexico: Antonio Espinosa de los Monteros, Luciano Wiechers.

Netherlands: P. Lieftinck, A. M. de Jong.

Nicaragua: Guillermo Sevilla Sacasa.

Norway: Gunnar Jahn, Ole Colbjornsen.

Panama: Juan Jose Vallarino.

Paraguay: Harmodio Gonzalez, Ruben Benitez.

Peru: Fracisco Tudela, Emilio Barreto.

Philippine Commonwealth: Jaime Hernandez, Carlos R. Romulo.

Poland: Edward Drozniak, Janusz Zoltowski.

Union of South Africa: Jan Hendrik Hofmeyr, M. H. de Kock.

United Kingdom: Hugh Dalton, Sir James Grigg.

United States of America: John W. Snyder, William L. Clayton.

Uruguay: Hugo Garcia.

Yugoslavia: Lavoslav Dolinsek, Ivan Randic.

(b) Appointed Executive Directors: J. V. Joshi, Y. C. Koo, Jean de Largentaye, Harry D. White, George L. F. Bolton. Elected Executive Directors: J. W. J. Bruins, Rodrigo Gomez, Hubert Ausiaux, J. V. Mladek, Louis Rasminsky, Ahmed Zaki Bey Saad, Francisco Alves dos Santos-Filho.

(c) Camille Gutt.

2. The remuneration to be paid to the directors and the salary of the managing director are provided for in the by-laws of the international monetary fund as adopted by the board of governors, as follows:

Section 14—Terms of service:

(c) The salary of the managing director shall be $30,000 per annum. The fund shall also pay any reasonable expenses incurred by the managing director in the interest of the fund (including travel and transportation expenses for himself, and expenses for his family, and his personal effects in moving once to the seat of the fund during or immediately before his term of office and in moving once from the seat during or immediately after his term of office). The terms of contract of the managing director shall be five years.

(e) The maximum salary and expense allowance (including housing, entertainment and all other expenses except those specified in subsection (f)) shall be $17,000 for executive directors and $11,500 for alternates. It will be the duty of each executive director and each alternate to state how much of these amounts he intends to draw whether as salary or as expense allowance.

(f) The executive directors and their alternates are to be reimbursed, in addition, for all reasonable expenses incurred during absence from the seat of the fund while on the designated service of the fund. They shall also be reimbursed for travel and transportation expenses for themselves, their families, and their personal effects in moving once to the seat of the fund during or immediately before their terms of office and in moving once from the seat during or immediately after their terms of office.

(g) Where not specified, it is assumed that the director and alternate will be a full time director and alternate. Where it is intended that he shall not devote his full time, it shall be so indicated. Where an executive director or alternate indicates that he intends to devote only part of his time to the fund, his remuneration shall be pro-rated on the basis of a representation by him of the proportion of his time he has devoted to the interests of the fund. He may make such representation each month.

(h) Where an individual is serving both fund and bank, the aggregate of salary received from both shall not exceed the full annual single salary indicated above.

The Canadian director of the fund devotes only part of his time to the fund and, in accordance with the instructions given him by the governor for Canada, draws only sufficient of the maximum salary and expense allowance to which he is entitled to cover his expenses while away from Ottawa on the business of the fund.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Mr. QUELCH:

1. What are the names of the members of (a) the board of directors; (b) the executive directors; (c) the president of the International Bank for Reconstruction and Development?

2. What remuneration is paid to the directors, and what salary to the president?

Mr. MAYHEW:

1. (a) Board of Governors and Alternates—

Country—Governor—Alternate

Belgium: Franz De Voghel, Maurice Frere.

Bolivia: Franklin Antezana Paz.

Brazil: Francisco Alves dos Santos-Filho, Edgard de Mello.

Canada: James L. Ilsley, Graham F. Towers.

Chile: Arturo Maschke.

China: O. K. Yui, Tr-Liang Soong.

Costa Rica: Julio Pena Morua, Angel Coronas Guarda.

Cuba: Joaquin E. Meyer.

Czechoslovakia: Alois Kral, Joseph Hanc.

Denmark: Carl Valdemor Bramsnaes, Erling Sveinbjornsson.

Dominican Republic: Jesus Maria Troncoso, Jose Calzada.

Ecuador: Esteban F. Carbo.

Egypt: Ahmed Zaki Bey Saad, Mahmoud Saleh El-Falaki.

El Salvador: Frederico Vides, Manual Melendez.

Ethiopia: George A. Blowers.

France: Robert Schuman, Pierre Mendes-France.

Greece: Xenophon Zolotas, Alexander Loverdos.

Guatemala: Manuel Noriega Morales, Leonidas Acevedo.

Honduras: Julian R. Caceres, Jorge Fidel Duron.

Iceland: Magnus Sigurdsson, Thor Thors.

India: Chintaman Desmukh, N. Sundaresan.

Iran: Abol Hassan Ebtehaj, Taghi Nassr.

Iraq: Ali Jawdat, A. M. Gailani.

Luxembourg: Pierre Dupong, Hugues Le Gallais.

Mexico: Antonio Espinosa de los Monteros, Luciano Wiechers.

Netherlands: P. Lieftinck, A. M. de Jong.

Nicaragua: Guillermo Sevilla Sacasa.

Norway: Gunnar Jahn, Ole Colbjornsen.

Panama: Juan Jose Vallarino.

Paraguay: Harmodio Gonzalez, Ruben Benitez.

Philippine Commonwealth: Jose S. Reyes, Joseph H. Foley.

Poland: Waclaw Konderski, Janusz Zoltowski.

Union of South Africa: Jan Hendrik Hofmeyr, M. H. de Kock.

United Kingdom: Hugh Dalton, Sir James Grigg.

United States of America: John W. Snyder, William L. Clayton.

Uruguay: Hugo Garcia.

Yugoslavia: Lavoslav Dolinsek, Ivan Randic.

Peru: Carlos Montero Bernales, Jose Barreda Moller.

(b) Appointed Executive Directors: Emilio G. Collado, Sir James Grigg, Pierre Mendes-France, Yuen-Ting Shen, N. Sundaresan.

Elected Executive Directors: Leon Baranski, J. W. Beyen, R. B. Bryce, Hubert Ansiaux, Luis Machado, Victor Moller, Kyriakos Varvaressos.

(c) Eugene Meyer.

2. The remuneration to be paid to the directors and the salary to the president are provided for in the by-laws of the International bank for reconstruction and development as approved by the board of governors, as follows: Section 14—terms of service:

(c) The salary of the president shall be $30,000 per annum. The bank shall also pay any reasonable expenses incurred by the president in the interest of the bank (including travel and transportation expenses for himself, and expenses for his family, and his personal effects in moving once to the seat of the bank during or immediately before his term of office and in moving once from the seat during or immediately after his term of office). The terms of contract of the president shall be five years.

(e) The maximum salary and expense allowance, including housing, entertainment and all other expenses except those specified in subsection (f) shall be $17,000 for executive directors and $11,500 for alternates. It will be the duty of each executive director and each alternate to state how much of these amounts he intends to draw whether as salary or as expense allowance.

(f) The executive directors and their alternates are to be reimbursed, in addition, for all reasonable expenses incurred during absence from the seat of the bank while on the designated service of the bank. They shall also be reimbursed for travel and transportation expenses for themselves, their families, and their personal effects in moving once to the seat of the bank during or immediately before their terms of office and in moving once from the seat during or immediately after their terms of office.

(g) Where not specified, it is assumed that the direction and alternate will be a full-time director and alternate. Where it is intended that he shall not devote his full time, it shall be so indicated. Where an executive director or alternate indicates that he intends to devote only part of his time to the bank, his remuneration shall be pro-rated on the basis of a representation by him of the proportion of his time he has devoted to the interests of the bank. He may make such representation each month.

(h) Where an individual is serving both fund and bank, the aggregate of salary received from both shall not exceed the full annual single salary indicated above.

The Canadian director of the bank devotes only part of his time to the bank and, in accordance with the instructions given him by the governor for Canada, draws only sufficient of the maximum salary and expense allowance to which he is entitled to cover his expenses while away from Ottawa on the business of the bank.

SALES OF GOLD

Mr. ADAMSON:

1. To what other countries besides the United States of America did Canada or any agent of the government of Canada sell gold during the fiscal years 1943, 1944, 1945?

2. What price was obtained in each transaction?

Mr. MAYHEW:

1. Any gold sold by the government of Canada or any agent of the government of Canada during the fiscal years 1943, 1944 and 1945 was sold to the government or central bank of a foreign country. As such transactions reflect the exchange policies and transactions of foreign countries or central banks, it is not considered desirable to give details regarding them.

2. All sales of gold made by the government of Canada or any agent of the government of Canada during the period mentioned have been based on the price of $35 United States per fine ounce in New York, with appropriate adjustments for transportation and handling charges.

INCOME TAX—MARRIED STATUS

Mr. GRAYDON:

How many income tax payers in Canada are denied the right to claim for married status while maintaining a self-contained domestic establishment?

Mr. McCANN: Information not available.

GREENWOOD, B.C., JAPANESE RELOCATION CENTRE—C. L. COWDRILL

Mr. STIRLING:

1. On what day of what year did Mr. C. L. Cowdrill become (a) assistant supervisor; (b) supervisor of the Greenwood, British Columbia, Japanese relocation centre?

2. What experience had he to receive such an appointment?

3. Have any complaints been received about him as assistant supervisor or supervisor?

4. (a) If so, how many were by (a) Japanese themselves; (b) native population; (c) what action was taken?

Mr. MITCHELL:

1. (a) Assistant supervisor—September 1, 1942; (b) Supervisor—February 1, 1945.

2. Had previous experience in commercial life, more especially, in wholesale hardware, builders and plumbers' supplies.

Employed at Hastings Park assembly centre—April-August, 1942.

3 and 4. No complaints have come to the attention of the departmental officials responsible for Japanese administration.

RADIO BROADCASTING—STATIONS CKY and CKX

Mr. THATCHER:

1. Have the licences of radio stations CKY, Winnipeg, and CKX, Brandon, been cancelled or relinquished?

2. If so, at what date?

3. If not, what is the present status of these stations?

Mr. McILRAITH:

1. No.

2. Answered by No. 1.

3. Negotiations have been initiated regarding conditions under which these stations might be transferred to the national system.

LABOUR CONDITIONS—INTERNATIONAL TYPOGRAPHICAL UNION AND SOUTHAM NEWSPAPERS

Mr. KNOWLES:

1. Is the Minister of Labour taking any further steps to bring together the parties to the dispute between the International Typographical Union and the Southam and other newspapers?

2. Have any recommendations concerning this dispute been made to the government by the commission of which Brigadier Sherwood Lett, K.C., is chairman? If so, what are the recommendations?

Mr. MITCHELL: The Department of Labour has brought the parties together through commissioners and otherwise on several occasions and is still willing to lend the services of its conciliation officers if requested by the parties.

A short time ago on the request of the Honourable Mr. Pearson, minister of labour for British Columbia, I appointed Brigadier Sherwood Lett, K.C., as chairman of an industrial disputes inquiry commission to investigate the dispute between the Vancouver *Province* and its printers, members of the international typographical union. I am at present awaiting the report of this commission.

NATIONAL REGISTRATION CARDS

Mr. CHURCH:

1. Are the registration cards issued during the war still in use? If so, for what purpose?

2. How many prosecutions under the law governing these took place in each of the provinces in 1946?

Mr. MITCHELL:

1. The national registration cards (certificates) issued during the war are still in use.

The principal purposes for continuing the use of the certificates are: (a) So that the registration records from which much information is still being supplied may be kept as up to date as possible; (b) The certificates are still being used for identification purposes by the national employment service and other governmental agencies; (c) To assist the authorities in clearing up unfinished cases and investigations of desertions from the armed forces, defaults and delinquencies under the national resources mobilization regulations, the defence of Canada regulations and other wartime controls.

2. Very few prosecutions have been made or instituted since January 1, 1946. The exact total of such cases is not available as the provincial and municipal law enforcement authorities do not report all cases to the dominion authorities.

QUESTIONS PASSED AS ORDERS FOR RETURNS

BITUMINOUS COAL—IMPORTS

Mr. BLACK (Cumberland):

1. What is the tonnage of bituminous coal shipped to Canada from the United States for each of the years since 1939?

2. What is the tonnage of bituminous coal shipped to Canada from the United States for April, May and June for each such year including 1946?

3. What is the expected shipment of bituminous coal from the United States to Canada during July, 1946?

CIVIL SERVANTS EMPLOYED AS OF JULY 1, 1946

Mr. McKAY:

1. What is the number of (a) male; (b) female, civil servants employed by the federal government as of July 1, 1946?

2. How many of these (a) male; (b) female, are veterans of either world war I or II?

LOANS TO OTHER GOVERNMENTS—MARINE INSURANCE

Mr. WEBB:

When loans are made by the Canadian government to empire and foreign governments for the purchase of supplies in Canada, what steps are taken by the government to see that marine insurance is purchased in Canada?

VETERANS LAND ACT—PURCHASE OF FARMS IN CUMBERLAND COUNTY, N.S.

Mr. BLACK (Cumberland):

1. How many farms have been purchased in Cumberland county, Nova Scotia, under the Veterans Land Act?

2. Where are these farms located, when and from whom were they purchased?

3. What is the acreage and what price was paid for each such farm, and what has been the total cost to the government of upkeep, improvements and equipment for such property?

4. What are the names of the veterans now established on these farms?

Mr. TUCKER: This can stand as an order for return, subject to the reservation that the price will not be given for each item of land purchased.

Mr. HOMUTH: Why cannot the price be given?

Mr. TUCKER: I have already given the reason to the house on several occasions. It is not considered to be in the best interests of the veterans that individual prices should be given in all these cases, because it would have an effect upon future purchases of land in the particular area.

Mr. DEPUTY SPEAKER: Order for return, subject to the reservation made by the parliamentary assistant.

VETERANS LAND ACT—PURCHASE OF LAND IN AMHERST AND SPRINGHILL, N.S.

Mr. BLACK (Cumberland):

1. Has the government purchased land in the towns of Amherst and Springhill under the Veterans Land Act or other government measure?

2. If so, from whom were purchases made and what is the area; the price, and the expenditures made for improvements since purchased?

3. Who recommended the purchases and were the Canadian Legion, the local boards of trade or town councils consulted?

4. Were the properties sub-divided, plans made for buildings and construction authorized? If so, at what cost and with whom was work contracted?

5. Has any portion of the properties been resold or offered for sale? If so, to whom and at what price?

Mr. TUCKER: Order for return, subject to the reservation made in relation to the preceding question.

MOTION FOR PAPERS

CORRESPONDENCE WITH FRED ROSE

Mr. IRVINE:

For a copy of all correspondence since June 1, 1946, exchanged between the Minister of Justice and Mr. Fred Rose, M.P.

BUSINESS OF THE HOUSE

MORNING SITTINGS

Right Hon. L. S. ST. LAURENT (Acting Prime Minister) moved:

That on and after Tuesday, July 23, 1946, until the end of the session, the house shall meet at 11 o'clock in the morning of each sitting day and that in addition to the usual intermission at 6 o'clock p.m., there shall be an intermission every day from 1 to 3 o'clock p.m.

He said: Mr. Speaker, in proposing this motion it is not the intention of the government to force its own views upon the house, but rather to afford to hon. members an opportunity for making known whether or not they feel that the time has arrived when we should have the house sitting three times a day. There still remains a lot of work to be done. Some of the measures yet to be dealt with seem to be non-contentious. Some of the legislation has already been very carefully considered in the sittings of standing or

select committees and should not take up much more of the time of the house. There is, of course, other legislation which some hon. members will require to have further debated in the house. It is apparent that no matter how many hours a day the house sits it will still be a matter not of days but of weeks before we can get through the work that remains to be done, giving it that care which it is necessary in the public interest that it should receive.

The question raised by this motion is whether we should at once begin morning sittings and endeavour to give more time to the work of the house than has been given up to the present. I realize that that does not mean giving more time to the business of the session, because the committees have been sitting not only in the morning but even while the house is sitting, as we have noticed from the sparse attendance at times in the house. But a large number of hon. members have let it be known that they thought we should be apt to expedite the work of the house if we began now sitting three times a day. If it is the wish of hon. members that that be done, the adoption of this motion will provide for it. If on the other hand hon. members feel that we should still go on with two instead of three sittings a day, the government will be pleased to have those views expressed and will endeavour to have the decision made one that will appeal to the largest number of hon. members.

Mr. JOHN BRACKEN (Leader of the Opposition): Mr. Speaker, it is not clear from the resolution whether it is the government's intention to have the house sit on Wednesday evening as well.

Mr. ST. LAURENT: No; there is a special rule which deals with Wednesday evening, and I have heard strong objections voiced to taking away the Wednesday evening—not that hon. members want to use it for social purposes, but they feel that they should have a break in the middle of the week to enable them to consider what they have done in the preceding days of the week and what remains to be done on the other days so as to be in better shape to deal with it.

Mr. BRACKEN: If the leader of the government feels that to have the house sit in the mornings as well as in the afternoons and evenings every day except Wednesday and Saturday will expedite the business of the house, this party will offer no objection.

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, in previous sessions this resolution has been introduced at a stage when the end of the session was pretty well in sight, but as I look over the order paper to-day and see the amount of business still to be done I realize that we are a long way from concluding the work of the session. The estimates have, I was going to say, scarcely been touched. That is not quite correct, but only two or three departments have been pretty fully considered; there remain fifteen or sixteen departments still to go into. I do not want to do anything that will delay a conclusion of the session's business, and I am not particularly opposing this motion, but I would point out that there are still a number of committees sitting and it is difficult for hon. members who are on committees to find time to attend the sittings of the house three times a day. But members of the house have been here now for a good many weeks; some who are married and have families would like to have at least one week of the summer free to enjoy it with their families, and therefore I shall not oppose the resolution.

Mr. SOLON E. LOW (Peace River): Mr. Speaker, we are ready to support the resolution, but I think it ought to be understood that the legislative programme of the government has pretty well been brought in. I should not like to think that after we start to sit mornings in addition to two other sittings a day the government might bring in new legislation every day or two. The Acting Prime Minister should give us the assurance that the legislative programme of the government is now before us.

Mr. ST. LAURENT: On that point I have nothing to add, as nothing to my knowledge has developed since the statement made by the Prime Minister in the house when he enumerated the matters still to be considered by the house.

Mr. ANGUS MacINNIS (Vancouver East): Mr. Speaker, I do not want to prolong the discussion, but I feel that members have been sent here to do a job, and we are not in any more difficulties in working here than the rank and file of the people of Canada who voted for us are in pursuing their own particular vocations at home, wherever and whatever they may be. I believe there are other ways of expediting the business of the house besides rushing the members in three daily sittings. One would be for members to discipline themselves in the amount of time occupied in debate and discussion in the two sittings of the house; if we did that we would get more work done than by sitting three times a day. Many members of the house are on committees which are now sitting three times a day. I appreciate the way in which the

Acting Prime Minister has put this matter to the house, and while I do not want to say that I am opposed to the motion, I wish to suggest that we should be careful to discipline ourselves when we come to deal with the business before the house.

Motion agreed to.

CIVIL SERVICE

REPORT OF ROYAL COMMISSION ON ADMINISTRATIVE CLASSIFICATIONS

On the orders of the day:

Mr. JOHN BRACKEN (Leader of the Opposition): Mr. Speaker, may I ask the Acting Prime Minister if he now knows what action is proposed by the government in respect of the report of the royal commission on the public service of Canada?

Right Hon. L. S. ST. LAURENT (Acting Prime Minister): The report of the royal commission on the public service was made available to the members of the government only a few hours before it was made available to the members of the house. Each one has been asked to consider it, but there has been no opportunity yet for an exchange of views upon it, and therefore I am not in a position to make announcement of any decision.

OFFICIAL SECRETS ACT

INQUIRY AS TO ACTION ON RECOMMENDATIONS OF ROYAL COMMISSION

On the orders of the day:

Mr. JOHN BRACKEN (Leader of the Opposition): May I ask a question of the Acting Prime Minister in his capacity as Minister of Justice? I have not had an opportunity to give him notice of the question, and if he is not in a position to answer it now perhaps he will do so to-morrow. What further action is proposed by the government in respect of the recommendations and findings of the royal commission on espionage?

Right Hon. L. S. ST. LAURENT (Minister of Justice): I do not think that I should be in any better position to answer the question to-morrow than I am now. The report went to the law officers of the crown. With the assistance of counsel they considered it and have already come to the conclusion that charges should be laid against five of the persons mentioned in the report. They are now considering the report and the evidence on which it is based in connection with the cases of one Doctor Shugar and one Miss Agatha Chapman, and they have not yet reported any conclusion to me upon their study.

[Mr. MacInnis.]

WHEAT

NEGOTIATIONS BETWEEN BRITISH AND CANADIAN GOVERNMENTS

On the orders of the day:

Mr. M. J. COLDWELL (Rosetown-Biggar): May I ask the Minister of Trade and Commerce whether he has any statement to make on the progress of negotiations for a wheat agreement with Great Britain? There was something over the air this morning concerning the matter.

Hon. J. A. MacKINNON (Minister of Trade and Commerce): I hope to have an announcement within the next forty-eight hours.

TRAVEL ABROAD

PASSPORTS TO EUROPE—CONDITIONS AFFECTING RETURN JOURNEY

On the orders of the day:

Mr. G. K. FRASER (Peterborough West): I should like to ask a question of the Minister of Mines and Resources. Some months ago there was a ruling that every woman applying for a passport to travel to Europe had to say that she would not return for a period of at least a year. The Prime Minister made a statement in the house and said that the ruling was off; but during the past week an applicant for a passport for travel across the Atlantic or Pacific, whether man or woman, has to fill in a form which states this:

> I fully realize the difficulty in obtaining Atlantic and Pacific transportation and that it is unlikely that I shall be able to return to Canada for many months.
>
> I recognize that the issuance of a passport to me does not obligate the government of Canada to undertake any responsibility with regard to my transportation either from or to Canada.

I wish to know from the minister why such a statement is required before one can get a passport. The information should be made public, because members are receiving letters on the subject.

Hon. J. A. GLEN (Minister of Mines and Resources): The hon. gentleman is referring, I assume, to the period when exit permits were required. At that time there was no possible chance of anyone travelling from Canada to Europe being able to get back in the same year; therefore in view of the shipping situation an undertaking was given by those who did go that they did not expect to return for a certain time. I have no knowledge of a ruling of the passport office such as has been cited, but I assume the same idea is behind the requirement, that anyone

going now cannot expect to get priority on return sailings. However, I will look into the matter.

BUSINESS OF THE HOUSE

INQUIRY AS TO QUESTION DROPPED FROM ORDER PAPER

On the orders of the day:

Mr. M. J. COLDWELL (Rosetown-Biggar): I notice that the question asked on Thursday by the hon. member for Yorkton regarding "war assets—sales over $4,000 to firms, corporations or individuals", which was ordered to stand, did not appear on the order paper on Friday and is not on the order paper to-day. I respectfully draw that to your attention, Mr. Deputy Speaker, and hope that you will draw His Honour the Speaker's attention to the matter, so that we may receive an early explanation.

Mr. DEPUTY SPEAKER: I can assure the hon. member for Rosetown-Biggar that Mr. Speaker has this matter under advisement. He is expected to return to Ottawa to-morrow, when I shall be pleased to bring the matter to his attention.

NATIONAL HOUSING ACT

AMENDMENT AS TO LOAN PROVISIONS—CENTRAL MORTGAGE AND HOUSING CORPORATION

Right Hon. C. D. HOWE (Minister of Reconstruction and Supply) moved that the house go into committee to consider the following resolution:

That it is expedient to present a measure to amend the National Housing Act, 1944, and more particularly:

(1) to provide for changes in the administration of the existing housing legislation, consequent rewording of definitions and references throughout the Act;

(2) to provide for His Majesty to join with approved lending institutions in the making of loans for the construction of homes for home owners who have a leasehold interest only in the land upon which the home is to be built and to take security in such form as may be deemed necessary to protect the interest of His Majesty and the lending institution;

(3) to lengthen the period within which a joint loan to home owners may be repaid from twenty years to twenty-five years;

(4) to authorize Central Mortgage and Housing Corporation on behalf of His Majesty to enter into agreements with builders who will undertake to build a specified number of houses to be financed under the National Housing Act, 1944, and to offer each such house for sale first to veterans and then to others at a price not in excess of the selling price fixed in the agreement in consideration for the undertaking of Central Mortgage and Housing Corporation to purchase such houses from the builders within one year from their completion if they have not been sold;

(5) to authorize Central Mortgage and Housing Corporation to make direct loans in outlying areas to borrowers engaged in mining or lumbering, to assist them to provide low or moderate-cost housing for rent or sale to their employees and others in the area of the operations of the borrowers with a view to making possible increased employment in connection with the said operations;

(6) to authorize Central Mortgage and Housing Corporation to hold, operate and manage and lease on terms satisfactory to the minister, real or personal property owned by His Majesty and made available to the corporation for such purpose, and to authorize the corporation to collect the revenues from such properties and to pay such revenues to the minister, less expenses incurred in connection with such properties and less such compensation to Central Mortgage and Housing Corporation as may be agreed upon by the minister;

(7) to provide greater facility for the making of joint loans for the construction on farms.

He said: Mr. Speaker, the purpose of this legislation is to introduce certain amendments to the National Housing Act, 1944. The aim of these amendments is to make the National Housing Act as effective legislation as possible. The changes are suggested in the light of experience gained in administering the act under present economic and social conditions. The amendments are also necessitated by the transfer of the administration of the National Housing Act from the Minister of Finance to the Central Mortgage and Housing corporation.

This occasion, I believe, calls for a comprehensive statement on housing conditions in Canada and the principles that underlie the housing policy of the dominion government.

The housing problem during the first few years following V-J day is an emergency problem resulting from almost six years of war and the low level of house-building in the years prior to the war. The immediate task, therefore, is to increase the supply of shelter with the replacement and improvement of existing housing being deferred until the immediate housing emergency has been overcome. Overcrowding existed before the war and so did slums. The need for concentrating all available resources, manpower, industrial capacity and natural resources to the prosecution of the war made it necessary to postpone to the years of peace any large scale measures to alleviate these conditions.

Before proceeding to analyse our present housing situation and to indicate the goals which we have set ourselves, I would like to review some of the background for hon. members. The largest number of houses built during the inter-war years was in 1928, when some 50,200 units were built in urban areas alone. But five years later this number was down to some 14,000 units. The average num-

ber of houses built in urban areas in Canada during the years 1924-1939 was 32,000. This house-building activity was below that of the United States and England and Wales. If adjustments are made for differences in population, a comparable figure for the United States during the same period would be 42,000 units and for England and Wales, 63,000.

The lack of new houses in the thirties, the migration of munition workers to cities and towns during the war, an increased rate of family formation since 1939, and the impropriety of diverting labour and materials from the prosecution of the war even for housing, are the reasons for the present aggravated shortage of housing now.

During the first few war years, increased individual incomes had caused sufficient undoubling to do away with vacancies, despite large numbers of men enlisting in the armed forces reducing the number of families requiring separate premises. What has happened since then is familiar to all of us. Greatly increased personal incomes have reduced even further voluntary multiple occupancy. House building was at a relatively low level owing to the need for materials for essential war purposes. It was not until 1944 that there was an appreciable number of houses built. Then came demobilization with the very real need for dwellings for veterans who were reunited with their families. Already a need for housing units was being occasioned by the arrival of war brides in Canada. The continued high level of individual incomes was providing extra demands for housing. There was a continuation of the very high marriage rate with the result that net family formation was about twice that of 1939.

This, generally, was our position on V-E day, when we set a target of 50,000 housing units for the first full construction year after V-E day. Considering our needs for manpower and materials required for the prosecution of the war and the partial reconversion of industry, the target set was a formidable one for the house-building industry which had been accustomed to an average annual construction of about 32,000 units. The early conclusion of the war in the Pacific made it possible to aim at the completion of 50,000 units during the first year following V-E day, that is, from May, 1945 to May, 1946, instead of the first full construction year which would have been the calendar year 1946. According to a survey made by the dominion bureau of statistics, some 47,000 units were completed during the calendar year 1945. Present indications are that during the first year following V-E day we have substantially met the target of 50,000 units. This has been a creditable performance by the house-building industry.

As at March, 1946, our minimum immediate housing needs were estimated at 150,000 housing units. This figure is equal to the number of houses which under normal conditions would have been built during the war years to keep up with the increase in the number of families. It does not take account of our needs for the replacement of substandard homes, a certain amount of overcrowding that existed before the war and a desirable vacancy rate. This figure is supported by the results of a survey on doubling-up undertaken by the dominion bureau of statistics in the spring of this year. This survey showed some 210,000 single housing units occupied by more than one family. There is some voluntary doubling-up, and the figure of 150,000 units suggested represents the minimum number required to meet our immediate shelter problem.

Starting with an immediate deficit of 150,000 units in the spring of 1946, we must add 15,000 units for the needs created by men to be discharged and repatriated from the armed services. We must also allow for an extra demand of some 15,000 units on account of 30,000 war brides, all of whom will have come to Canada before spring of 1947. Experience has shown that about half the war brides create a need for additional housing units. We must also take into account the very high marriage rate which continues to exist in Canada. It is estimated that in 1946 there will be some 105,000 marriages. Family dissolution continues at a rate of about 25,000. Net family formation is, therefore, taking place at the rate of about 80,000, of which perhaps 60 per cent creates a need for new family housing units. From these new requirements over the next year, we can subtract some 50,000-60,000 units completed during the year ending March, 1947.

I believe that these figures and estimates, although approximate, are valid and that we can anticipate by spring, 1947, an immediate housing deficit of some 180,000 units, or a worsening of the situation by some 20 per cent.

Steps are being taken to keep this deficit as low as possible, and I will refer to them later in my remarks. I should be remiss in my responsibilities if at this time I painted a happy picture in the housing field or suggested that immediate relief was in sight. I anticipate that a critical period will occur in the late fall of 1946, when some of the relief now afforded by the occupation of summer

residences will be lacking. Once again existing housing, particularly in urban areas, will be carrying the full impact of people returning to town. Already the sponge-like qualities of our urban areas are being taxed to the limit. Relief can come only from new housing units completed during the year.

What is a reasonable estimate of housing needs for the five years ending spring, 1952? Even over as short a period as five years, there are many contingencies and uncertainties which have an important bearing upon the estimate and indeed make any such estimate hazardous. The level of national income over the next five years will, perhaps, be a most important influence, not only on the probable level of new housing during that period, but also upon the need for new units. The rate of recognition of obsolescence and depreciation will be another important factor. The taste in housing of the average citizen will also have a bearing.

The advisory committee on reconstruction in its report, commonly known as the Curtis report, indicated that the desirable housing programme for the first ten years following the conclusion of the war would be 700,000 units or 350,000 units for a five-year period. But this estimate does not take account of all the doubling-up which we are experiencing and a desirable vacancy rate needed to assure flexibility in our housing supply. If account of these additional factors is taken, we estimate that we should build some 480,000 units during the five years ending March, 1952. About 80,000 units should be built during 1947-1948 and 100,000 in each of the following years. While this appears to be a very substantial target for the house-building industry whose present capacity is perhaps only a little more than half, I submit that such a target can be accomplished if we make an all-out effort on the housing front. As I shall outline, the dominion government is creating conditions favourable to a large housing programme by private individuals and companies in Canada. While the dominion government will continue to give as much assistance as possible, both financial and physical, it is necessary for industry itself to increase its capacity to meet the housing needs of the country in the years to come.

On April 29, the Prime Minister advised the house that centralization and coordination of our housing programme was to be accomplished by placing all matters relating to housing, with the exception of the strictly rural activities of the Veterans' Land Act, under the Minister of Reconstruction and Supply. The effect of this change transferred the functions of the Department of Finance in the housing field to the Department of Reconstruction and Supply. It also occasioned an arrangement between myself and my colleague, the Minister of Veterans Affairs—an arrangement whereby new small holdings under the Veterans Land Act with any urban characteristics were cleared with my department. The purpose underlying this move was to bring within a unified operating group all dominion government participation in the field of housing.

Since the Prime Minister's announcement, we have moved towards further coordination. The housing problem resolves itself definitely into two parts—the supply of building materials, and the mode of operations. With respect to supply, an executive committee on building materials is now active. It is made up of the priorities officer, the coordinator of capital equipment and durable goods of the wartime prices and trade board, and the coordinator of housing. This committee is charged with the responsibility of coordinating with the building industry the increased supply of building materials, particularly those of a critical nature. They are busy on the reclamation of existing materials, as well as the coordination of priorities and controls. They are seeking to obtain the best use of the supply of building materials in the interest of housing as well as the industrial and commercial building required to maintain a high level of employment and income.

In the field of operations the dominion's activities have been centralized in Central Mortgage and Housing corporation. In addition to administering the National Housing Act, the corporation is responsible for emergency shelter and the home conversion plan. It also directs policy and activities of Wartime Housing Limited. These steps have been taken in order to create a unified operating group in the housing field. As such, it serves an immediately important purpose in that provinces, municipalities and individuals interested in housing will deal with one agency. In the same way, the activities of field representatives will be coordinated and they will be in a position to deal with provinces and municipalities and others. Already savings in personnel have been effected. It is not planned to amalgamate the personnel of Wartime Housing Limited with the Central Mortgage and Housing corporation immediately, but a coordination of policy and a single direction has now been accomplished. The changes do not alter the operation of the Veterans Land Act either in administration or policy, but they do coordinate the operation of the small holdings provision of that act in those areas

in which Wartime Housing and the National Housing Act are active. These changes have assisted us in setting up an integrated administrative machinery which we believe will work well to administer the housing policy of the government.

Just as plant capacity was strained to produce the implements required for war, so now, in the interest of speed in meeting housing targets, it will be necessary to strain all available capacity to produce adequate supplies of building materials. Operating of building materials industries under forced draft will mean the difference between the success or failure of the programme this year. Extra costs may be involved in obtaining increased output and, if so, the government is prepared to consider meeting these costs. Where plant expansion is necessary to eliminate materials bottlenecks, the method used to stimulate expansion of war plants will be made available.

In this connection, I referred on April 29 to an order in council which extends to March 31, 1948, the period during which proposed plant expansion must be undertaken or new equipment acquired under the provision of the "double depreciation" method of financially assisting Canadian industries in their reconversion programmes.

The need for housing is so great that it is desirable that industrial projects should be limited to those which are urgent from the point of view of employment. The action referred to removes the possibility that industrial projects will be rushed forward to qualify for the double depreciation privilege. It is hoped that this will permit the postponement of some projects which involve extensive construction until the supply situation is less acute. Extension of the period for double depreciation is expected to have a salutary effect on residential construction.

Double depreciation certificates do not carry any priorities with respect to building materials or equipment, and they do not in any way interfere with the power of the individual municipalities to issue or withhold at their discretion building permits to cover such work.

This brings me to another important point. On April 1, I tabled a copy of order in council P.C. 1184, of March 27, which provided for municipal control of non-essential or industrial construction. Since then several municipalities have alleged that the government has tried to evade the issue on this score. I can assure hon. members that there was no intention of evading the issue. Rather it was looked upon as a logical approach to a complex problem. The government felt, and still feels, that municipal authorities are in a much better position to determine the essentiality of new construction in their own districts.

In this connection I should point out that all areas are getting their share of building materials under equitable distribution methods administered by the wartime prices and trade board in the same manner as that in which all other scarce supplies are distributed in Canada. Quotas are calculated on purchases during the base period and all distribution, whether to large or small towns, is on that basis.

In describing the supply situation on building materials, I can say that the first five months of 1946 showed a noteworthy performance on the part of the building materials industry. The extent to which the encouraging trend of increased production is affected, or will be affected, by prevailing conditions cannot be estimated at this time. If those conditions should continue for any lengthy period, with a consequent sharp effect on the supply of building materials, the housing programme in Canada would be set back to a degree, the gravity of which may only be appreciated in full during the coming winter.

I should like to acknowledge with appreciation the valuable and untiring help of a special committee on materials formed by courtesy of the Canadian Construction association. This committee has made a series of recommendations and observations. Officials of my department have taken these recommendations, designed to increase the supply of building materials, and, where it is feasible to do so, have already taken direct action or are carrying on discussions designed to bring about an increase in supply. I have a wholehearted appreciation of the task which is being assumed in Canada to-day by the building materials industry, and I should like to acknowledge publicly the appreciation which hon. members must feel toward this industry, which, on its own initiative, has generally succeeded in increasing its capacity. It is being asked to meet a housing target greater than the greatest house-building year on record, and is being asked to meet that objective under conditions not conducive to the attainment of record production. I feel that with certain exceptions, upon which we are concentrating, the industry is capable of accepting, and is prepared to accept, the task—and no one can have a warmer admiration than myself for the effort being directed toward the fulfilment of this task.

The increased production of building materials, particularly those of a critical nature, spells the difference between success or failure of the housing programme. With the solution

of this problem, or with the maximum amount of relief capable of being given under existing conditions, the great proportion of other problems are in themselves brought closer to solution.

In brief, the government is now taking steps to increase the production of building materials, especially those of a critical nature, to reclaim to the maximum extent materials in government buildings, to encourage the import of such materials as are essential to the housing programme and are unobtainable in Canada, and to seek to obtain the best use of the available supply of building materials in the interest of housing and such industrial and commercial projects as are required to assure a high level of employment and income.

I am quoting the supply situation in terms of comparative percentages, since I believe that hon. members might find it simpler to appreciate the trend in the production of building materials.

The supply of cement and cement products is moving steadily forward. Production volume is the highest since 1931. Production of cement during January 1946 was 59 per cent in excess of the corresponding month of 1945 and was being produced at a per annum volume rate of approximately 9,000,000 barrels. By May 1946 the monthly production had again increased so as to raise the per annum volume to a figure somewhat over 10,000,000 barrels. Cement products were following a proportionate trend as instanced by concrete blocks, cement drain pipe, sewer pipe, water pipe and culvert tile.

Clay products are following an encouraging trend in regard to brick and structural tile. January 1946 saw an increase in the production of building brick of 73 per cent over the corresponding month of 1945. April 1946 shows a 100 per cent increase over January 1945. The month of May has continued this upward trend and itself shows a 50 per cent increase over the preceding month of April. Quite naturally this is a seasonal increase, but a 50 per cent production increase in one month is an encouraging position.

The position with respect to vitrified sewer pipe and flue linings has not offered the same measure of encouragement but is being watched closely and given the fullest attention. Conversations are now going on to facilitate the reentry into production of a plant, the capacity of which should be capable of providing extensive relief to this situation. Production of flue linings showed increases during April 1946 but declined in May and measures are being taken to hold the prior increase. Production of vitrified sewer pipe for the months of April and May declined slightly, but is still measurably in advance of production in January and February of this year.

Sand-lime brick production is also moving upward. Production in May 1946 shows a slight increase over April output but a 100 per cent increase over the 1945 monthly average.

Rock wool products are being maintained although May production showed what is hoped to be a temporary decline only. Generally speaking, production is keeping pace with shipments although it will be realized that the ability to create any stockpile under existing circumstances is well-nigh impossible. This latter statement is one which I might make applicable to the entire supply situation in terms of building materials. Domestic disappearance under prevailing conditions precludes now, and for some time to come, any likelihood of a stock position being created.

Granulated wool, bulk or loose wool, and industrial wool follow the same pattern of production as that described for rock wool batts.

Gypsum products are generally maintaining or exceeding the production figures reached during the war-time years. Production of wall board in March 1946 reached a figure which, on per annum volume, is equal to the highest annual production of gypsum wall board ever attained. May production, however, has in itself shown a 12½ per cent increase over that of March. The production of gypsum lath appears to be paralleling shipments, but has not yet permitted the creation of any significant stockpile position. The production of gypsum plaster is running steadily at a figure approximately 100 per cent higher than the 1944 average which is almost the highest year on record.

The output of asphalt products is either being maintained or increased, and appears to be meeting the required shipping demands, although fluctuations occurred in the various products within the group. The monthly production rate of asphalt shingles in May exceeded the 1945 monthly average by 70 per cent. There have been steady increases in smooth surfaced and mineral surfaced rolls, while the production of tar and asphalt sheathings remains constant.

The iron and steel industry has shown a substantially higher output of galvanized sheets and of steel pipes, tubes and fittings, and a slight improvement in the production of soil pipe and of nails. Taking these various items in more detail, I mention, first, cast-iron soil pipe and fittings. Production of cast-iron soil pipe and fittings has been mounting steadily, month after month, through 1945

and 1946. In the month of May 1946, the rate, when averaged over a yearly period, is 32 per cent above the 1945 average. There is every reason to believe that this upward trend will not only continue, but may show a sharper rise in the near future. The committee on materials has made recommendations designed toward the increase of soil pipe production. These recommendations are now actively under consideration and it is felt that their implementation should offer early relief to the supply situation, as it concerns soil pipe and fittings. Production of sheet steel is constant but limited to one mill on hot-rolled and one mill on cold-rolled, the product of the latter being largely applied to tin plate for food processing. Stocks of sheet steel have been declining steadily and the warehouses are practically denuded of both black and galvanized sheet. While the production of black steel sheeting declined during the month of April 1946, stocks at the end of that month were equivalent to more than two months' output at the current rate. At the same time, April production of galvanized steel sheeting increased considerably and stocks show a 50 per cent increase, although still not equivalent to more than a part of a month's production. The output of steel pipes, tubes and fittings almost doubled during the month of April, as contrasted with the month of March 1946, although May 1946 experienced a slight decline. The output on steel pipes, tubes and fittings represents a recovery on production from a sharp decline in March 1946. January of this year showed a very satisfactory upward trend and it had been hoped that the current production figure would show a return to the monthly output at the first of the year. Prevailing conditions may require a complete reassessment of this hope. Wrought iron pipes, tubes and fittings saw a January production more than double the December 1945 tonnage, which January figure approached the total production for the year 1944. February of this year saw a 30 per cent increase over the January figure. Production in March and April of 1946 has declined. The production of wire nails and spikes during the month of January 1946, was 23 per cent above the month of January 1945, and 10 per cent above the 1945 monthly average. Declining slightly in February and March of this year, it has now, in May 1946, exceeded the monthly output of the first part of the year.

Our early estimates of steel production and imports were altered considerably by the steel strike in the United States, which, followed by the coal strike, resulted in a fuel shortage which caused a reduction in steel production to make coke available for domestic use.

In the matter of plumbing and heating equipment, there is an encouraging trend in a forward direction. Production of lead pipe for water service has moved up sharply since the first of the year and showed better than a 600 per cent increase in March 1946 over January of this year. Most of this increase has been maintained in April and May. The production of copper tubing had moved steadily forward throughout the first four months of this year. This output, however, is necessarily subject to prevailing conditions and the effect of curtailment of production will inevitably be felt in the near future. Production of warm air furnaces is moving forward and is at present maintaining an average yearly production rate of some 44,500 units, which is 73 per cent above 1944 production, the latest annual figure available. Domestic heating boiler (both hot water and steam), is equalling all-time highs. Cast-iron radiation is being produced at an increasing rate since the first of this year and is now 30 per cent above the 1944 average monthly production, the latest annual production figure available. The same remark might be applied in general to the production of hot water storage tanks (range boilers), and all types of hot water tank heaters.

I shall speak now of the supply of electrical fixtures, or materials. As to wire, more properly known as non-metallic sheathed cable, the scarcity is founded on the shortage of cotton yarn which is used to cover the wire. This is a difficulty which has been known and which has been coped with from the outset, according to the best possible means. Consequently, our efforts have been devoted to a solution of the cotton yarn problem—yarn of a nature required to cover non-metallic sheathed cable. This involves diversion of cotton yarn from other electric wire but is being done—and has already resulted in 100 per cent May increase, over April, in the one main size on which production had lagged. Prevailing conditions with respect to copper and textiles production have affected a situation with respect to wire which should have been relieved considerably during the summer months and should have been overcome by Fall. Rubber coated double braided wire has shown a 77 per cent increase in production within the latter three months of 1946.

Rigid galvanized steel conduit is in short supply owing to our dependence on imports from the United States in the manufacture of steel pipe. Conditions beyond our control have had a serious effect on the supply of those

materials required. In support of galvanized steel conduit supply, some substitutions may be necessary. The possibility of doing this is now under investigation and a source of alternative supply is presently visualized.

The production of switches, panels and receptacles moved steadily forward with each succeeding month through May 1946.

The production of sanitary ware finds shipments following production closely, with stocks at a relatively low figure. Over-all production is fairly stable, but in so far as the smaller pieces are concerned, is usually subject to peaks and valleys. Emphasis on the production of a particular line of small ware in any one month usually produces an adverse effect in the production of another type. The production of bathtubs remains generally constant. The government has already instituted action to increase the supply of bathtubs, sinks, wash basins and toilets, and there is reason to believe that a substantial increase in the production of sanitary ware can be expected with the expansion of facilities. The installation of facilities, many of which must be built in Canada and others imported from the United States, may see the lapse of quite some time before the full effect of the new facilities is felt. Action has already been taken that is designed to increase the current 1946 estimated production by a figure somewhere in the neighbourhood of 50 per cent. An additional supply factor offers the farther possibility of a substantial increase in that percentage figure.

In the matter of window glass, Canada is, with one exception, dependent upon imports. This import figure, which has been running currently at a monthly average of 2,500,000 square feet or slightly better, moved upward to almost 3,500,000 square feet in the month of April 1946—although May showed a decline. The only Canadian producer of glass suffered fire damage in 1944 and did not resume production until December 1945. Export control of glass has been re-imposed and covers plate, window and sheet glass, and cutlet (broken glass), including ground glass. Every effort is being made to increase the importation of window glass from the United Kingdom and from the United States, and at the same time, to bring forward as early as possible, exports from the European market, particularly Belgium. I am pleased to note that imports from Belgium, a traditional source of supply, are now scheduled, with appreciable amounts for delivery in July and August.

The situation with respect to paints, varnishes and lacquers appears to find production and shipment running according to a fairly normal pattern. (The dollar value of its product has increased steadily, through 1946, by fifty per cent). There would appear to be reason for suggesting that this part of the building materials industry is in a position to cope with the proposed housing programme.

The position with respect to builders' hardware has also been the subject of a special study. I have been advised that replies to the survey suggest Canadian manufacturing capacity is sufficient to take care of Canadian requirements for builders' hardware. The committee on materials suggests that it is unnecessary to recommend any additional manufacturing capacity. There are certain factors limiting production. Each of these will be considered in full, either by my department or with the department of government primarily concerned.

In the field of lumber and lumber products, production of sawn lumber in Canada during the month of April, 1946, amounted to roughly 283,000,000 feet board measure, which is 13 per cent below the March output of 324,000,000 feet board measure. May declined slightly. These figures represent 100 per cent production coverage for British Columbia and 56-65 per cent mill coverage in the remaining provinces. Regional reproduction through March to May showed a substantial improvement for Ontario and Quebec with a sharp decline in British Columbia production. The net effect of the production loss in British Columbia in terms of 1946 production still remains to be judged. Production of rigid insulating board (wood fibre) remains in line with demand with May production showing a 23 per cent increase over April. The production of panel board in May, 1946, shows a 30 per cent increase over the preceding month. The production of plaster base board shows a definite increase over the prior month. Roof boards and other rigid boards follow the same design in increased production.

I should now like to say a word about priorities. In December 1945 construction control was removed. It was felt, and I still believe, that when hostilities ended the difficulties of enforcing construction control as we knew it during the war would far outweigh any benefits which might accrue. In order to channel building materials in short supply into the housing field, and make the best possible use of available supplies, a formal priorities rating was established and issued as priorities officer's order No. P.O. 11, dated March 12, 1946. There still seems to be some confusion about this order. I wish to reiterate to hon. members that its prime purpose is to channel building materials which are in short supply into government or government-approved low or

moderate cost housing projects, such as war-time housing, integrated housing, Veterans Land Act, housing enterprises, emergency shelter and prefabricated units for veterans, and to assist veterans to secure needed materials to complete houses owned by them which are well advanced.

Up to the present we have been using 75 per cent as the stage of completion at which we make priorities available to the veteran who will own and occupy the house. We will now issue priorities to veterans who have houses 50 per cent completed, which generally means roofed and ready for plaster.

In every instance priorities are made available only for veterans housing or for housing which is to be rented to veterans.

It will be noted that, with the exception of the completion of the veteran-owned houses, all priorities of materials are limited to projects controlled in respect to sale price or rental by Central Mortgage and Housing corporation or the Veterans Land Act. This, together with the veterans' preference, is the cardinal principle upon which this priority order functions. It would be wrong to take such steps to provide materials for speculative builders or others if there were no control over the sale price or rentals.

In 1946, we expect that approximately 20,000 housing units, or about one-third of the housing expected, will be assisted by priority regulations. At the present moment priorities are assisting in the construction of some 15,000 housing units.

As hon. members know, the problem of building labour is the responsibility of my colleague, the Minister of Labour, and his department. At the same time a review of the housing situation would not be complete without reference to this vital phase of construction.

Few of us realize what an important contribution a housing programme actually makes to a high level of employment and income. A research study just completed by my department indicates that a housing programme of 50,000 units of a desirable standard would employ 143,000 persons for one full year. Of these, it is estimated some 66,000 would be working on the building site, and the remainder in the mines, forests, factories and other businesses concerned with providing necessary building materials and equipment. These figures must be increased by 20 per cent for each additional 10,000 housing units constructed.

The importance of the large volume of employment provided by the construction of 50,000 housing units is perhaps best illustrated by the fact that it equals the total number of men working on the combined production of aircraft, guns, shells and bombs during mid-1944. Thus house-building, with its ramifications on the economy as a whole, can absorb many persons laid off since the end of the war. Of course there are difficulties, because the skills required cannot always be matched by the type of workman available.

Further, there may be an excess of skills in one area and a shortage in another, and the difficulties of transportation are too great to move applicants to the place of employment. To demonstrate this point: On March 30, 1946, the number of unfilled vacancies in the construction industry as reported by the Department of Labour was 9,496 while unplaced applicants numbered 9,802. But many of the unplaced applicants did not have the training or qualifications for the jobs that were available. We were, and still are, very short of bricklayers, masons, carpenters and plumbers, but jobs in these trades cannot be filled by men with little training or experience. I cannot emphasize too strongly the need for the young men of this country to learn a trade. It is true that at present they may earn more as common labourers than they would if they were to work as apprentices; I believe, however, that the position will be very different when the present squeeze in the labour market is over. When this time comes—we believe it will be the second half of 1947 or the beginning of 1948—the men who have a trade or are completing their training will have better prospects for employment than those who have no special skill to offer.

The government is very conscious of the need for trained personnel, particularly in the construction industry. Arising out of the depressed conditions of the thirties, and the interruption of training plans during the war years, our construction workers have been ageing substantially, with inadequate replacements for those who are leaving the labour market. Perhaps one set of figures will demonstrate this point: In Ontario, a province that has a very good record in apprenticeship training, there were 1,070 construction apprentices registered in 1929, but by 1933 the figure was down to 24, and by 1939 it had only reached 100.

To encourage training in construction trades, the dominion government entered into a ten-year agreement with the provinces in 1944. According to this agreement, the dominion government provided a fund of upwards of $1 million to assist the provinces in the expansion of training facilities. Special provisions were also made for veterans. By March 31, 1946,

6,785 apprentices were reported by the Department of Labour to be in training, about three-quarters of them being veterans.

While satisfactory progress has been made in the field of apprenticeship training, the results of the programme will not be felt for some time, because it takes several years until the training is completed. However, because of shortened training requirements for veterans with some previous experience, a continuous flow of trained building mechanics is expected, beginning in 1947.

While training of construction craftsmen is one important element in contributing to the efficiency of the industry, cooperation among the different groups in the industry is also important. To stimulate cooperation among management, labour and government in the construction industry, the dominion government established some time ago the national joint conference board of the construction industry. This board which came into existence during the war years, is continuing its operations, and has been able to do a great deal to foster cooperation in the industry.

Next I should like to deal with the activities of the various agencies of government which are making a contribution to meet the present housing needs. These agencies are the emergency shelter administration, Wartime Housing Limited and the National Housing Act, which are operated by the Central Mortgage and Housing corporation, and the Veterans Land Act.

Administration of the emergency shelter regulations was transferred from the wartime prices and trade board to Central Mortgage and Housing Corporation by order in council P.C. 7502 of December 28, 1945. The principal functions of the emergency shelter administration, which is now operated by the corporation, are:

(1) To assist, promote and coordinate the efforts of municipalities, and in some instances, provinces in finding temporary accommodation for families suffering acute hardship and distress because of lack of shelter.

(2) To assist municipalities in obtaining surplus government buildings for conversion into temporary accommodation.

(3) To assure that all vacant houses in congested areas are put to use. There have been instances when the owner has persistently refused to cooperate. Under the terms of the order the administration has taken over these houses and placed them in the hands of a trust company for sub-letting. In such instances, the rentals receipts are remitted to the owner. As a rule, however, vacant houses have been brought into occupancy through moral suasion. The regulations also provide that no accommodation may be demolished without written authority of the emergency shelter administration.

(4) To maintain a close liaison with veterans' organizations and welfare agencies. The administration also is closely allied with Wartime Housing Limited in order to assure that the allocation of units completed by that agency is made to the veterans' families who most urgently need them.

(5) To operate housing registries in certain congested areas. The administration also bears the cost of room registries for veterans. These are supervised by the Department of Veterans Affairs.

From the time the emergency shelter regulations were established by order in council P.C. 9439, dated December 19, 1944, until February, 1946, the administration took action only when so requested by a municipality. As from February, 1946, a more positive approach was adopted. Although we still rely entirely upon the municipalities, we did approach all the larger municipalities to encourage them to attack their shelter problems in advance. Progress was made to provide a cushion of emergency shelter for May, 1946 and the administration is now working with many municipalities in Canada in an effort to build a similar cushion for the very substantial needs which can be anticipated in October, 1946. To this end, the corporation gives financial assistance to municipalities which have made or are making expenditures to provide shelter. The corporation also assists municipalities to obtain possession of surplus government buildings by purchase or lease. The corporation acts as an expediting agency between the municipality and the government departments concerned with the buildings required for emergency shelter purposes.

With the closer relationship between Wartime Housing Limited and the corporation, arrangements will be made in many municipalities to amalgamate similar functions being performed by Wartime Housing Limited and the emergency shelter administration. For instance, emergency shelter functions in Montreal have been consolidated with Wartime Housing Limited since July 1 of this year. Similar action is under consideration in other centres.

During 1945 some 2,400 family units of temporary shelter were created in surplus government buildings. From January 1 to July 1 of this year, financial assistance was provided to help municipalities make available 874 family units of shelter. The financial assistance provided by the dominion government amounted to $441,000. Before the end of 1946

this figure will be substantially increased. In addition, we have worked out an arrangement with Canadian universities to assist them to provide family units for married veterans. In such instances a financial grant is made to the university and the buildings are leased to the university at a nominal rental. To date, 529 units of married veteran students' shelter are being provided under this arrangement. Dominion government financial assistance under this heading totals $509,300.

In all emergency shelter projects, arrangements are made for the municipality or for the university to provide management. We feel very strongly that the only satisfactory management for emergency shelter units is at the local level. Our financial grants are to assist municipalities and the universities to meet the capital cost of the erection or the conversion of emergency shelter. Rentals received are generally set high enough to look after operating expenses, and in virtually all instances the operating expenses and the administration are the responsibilities of the municipality or the university.

The potential slum nature of some of these developments has been referred to on several occasions. I can give every assurance that these buildings will be removed when the emergency ceases and we will take every step to see that they are not allowed to deteriorate into slums areas.

It now appears that it will be necessary to continue emergency shelter into 1947. There will still be a number of evictions, bringing very real hardship in their wake. We are receiving the full cooperation of municipalities, and emergency shelter is making an important contribution to relieve the cause of the greatest hardship.

It is difficult for me at this time to estimate for hon. members the number of family units which will be created under the emergency shelter regulations during 1946. The actual number at the moment for which financial assistance has been given is 1,403, involving government commitments, for conversion only, of $950,300. Another 600 units have been created without financial assistance for conversion from the dominion through the provision of surplus buildings. I shall be surprised if the total number of emergency shelter units created during 1946 is not double the aggregate of the figures I have just mentioned.

With materials so short, I am willing to see essential materials used in temporary emergency shelter only where the housing needs are abnormal and cannot be met by construction of permanent units. Then, too, emergency housing must provide the maximum of accommodation with the minimum use of materials. It can be argued that critical materials can be used more profitably in permanent construction; I agree, and every effort is being made to keep emergency units to a necessary minimum. On the other hand, it is not possible to meet all of the need with permanent construction and, to some extent at least, I anticipate a continuation of the emergency shelter programme until the housing shortage is largely relieved.

I now wish to refer to the activities of Wartime Housing Limited, activities which are now directed by Central Mortgage and Housing corporation.

Wartime Housing Limited has been responsible for constructing and managing a very large programme of low rental housing projects. Hon. members are well aware that during recent years there has been very little rental housing built by private owners and virtually no rental housing which could be described as being in the low-cost field.

Wartime Housing Limited was incorporated in February, 1941, for the purpose of making available living accommodation for war workers in congested communities. During 1941, 1942 and 1943 an extensive programme was carried on, resulting in the construction of 17,218 war workers' houses, 97 staff houses, 30 schools and numerous other buildings. All this construction was part of our war plant and was as essential as the plants themselves. Virtually all of these war workers' houses are now playing an important part in providing accommodation in the low rental field.

In 1944, the activities of Wartime Housing Limited were directed to providing rental housing for veterans. During that year some 1,287 units were built and rented to men who returned from overseas.

In the summer of 1945 the need for additional rental housing for veterans became apparent, and in the latter half of 1945 a programme of some 6,500 units was undertaken. Owing to the late start, 6,200 of these units were carried over into 1946. This year we have continued the veterans' housing programme, and some 4,700 units have been approved for 1946 construction. Of the 1946 programme, some 4,000 units have been occupied and the remainder under construction have been coming into occupancy at a rate of 200 per week. Although construction schedules are dependent upon a restricted flow of materials, I believe that we can anticipate Wartime Housing units coming into occupancy at an even higher rate during the months of August and September. Our production schedules call for occupancy of about 1,200 units in each of these months. By the end of the year, all of the 1945 carry-over and

failing unforeseen obstacles, most of the 1946 units will be occupied. In short, during the year 1946, Wartime Housing will have produced something like 11,000 low rental housing units for veterans' occupancy.

About two months ago I announced that we would consider applications from municipalities for Wartime Housing Limited units until June 1, at which time we intended to terminate the approval for projects for 1946 construction. The reasons for this announcement were that we are anxious to avoid the extra costs of winter construction. We feel that the programme of 1946 has taken as large a share of scarce building materials as is desirable. With the very great amount of private construction under way there is every likelihood that by October and November vigorous efforts will have to be made to find building materials to bring as many uncompleted units as possible to a state of occupancy. New Wartime Housing projects arranged late in the year would tend to interfere with any efforts we may have to make to see that a maximum number of houses are completed for winter occupancy.

Faced with the problem of providing living accommodation for veterans, many municipalities have turned to Wartime Housing Limited for low rental housing units. The problem was considered one of mutual responsibility, and towards that end a standard form of agreement has been developed. Under this agreement, the municipality supplies Wartime Housing Limited with fully improved lots at a cost of $1 each. It also enters into an agreement whereby Wartime Housing Limited will make payment during the life of the agreement in lieu of taxes of $24 per annum for each house erected with two bedrooms or less, and $30 a year on each house having three or more bedrooms, plus $1 per year per house for street lighting. On its part, Wartime Housing Limited enters into an agreement with the municipality providing that the houses will be rented to servicemen or their families for as long as there is a demand for rental houses by this type of citizen. Only after these families have been taken care of may the houses be rented to non-veterans. The rentals charged range from $22 to $30 per month, according to the size of the house.

In view of the fact that the municipality supplies fully improved property at a nominal price and is prepared to accept in lieu of taxes the amounts I have just mentioned, Wartime Housing Limited agrees to sell the houses as a whole to the municipality for $1,000 each at the end of a stated period. The period is determined by the cost of construction.

63260—232½

Wartime Housing Limited houses are constructed in accordance with national building code standards. The best materials available are employed. Houses are fully insulated for warmth in winter and the exclusion of heat in summer. Houses for veterans are placed on cement foundations. While they are considered to be semi-permanent, they are constructed to be as serviceable as any average frame house and should have a life of thirty to forty years.

During the last few months there has been pressure from the municipalities, both in respect to war workers' houses and veterans' houses, on the dominion government to make a payment additional to that which is now being made to the municipality in lieu of taxes. The dominion cannot and will not place itself in the position of being a taxpayer to a municipality. The payments in lieu of taxes were worked out and agreed upon between the municipalities and the dominion as being an amount which, in light of all circumstances, was reasonable. Any increase in revenue from Wartime Housing units to the municipality can only come from the tenants.

The municipalities make the case that the payment in lieu of taxes does not look after their normal services, including schooling. As a result Wartime Housing units are, from their point of view, deficit housing. Although the dominion is unwilling to make additional payments in lieu of taxes, Wartime Housing Limited is prepared to renegotiate existing contracts with the municipalities. Such renegotiated contracts would provide that the dominion shall receive the same net rentals as at present—that is, gross rentals less payments to the municipalities in lieu of taxes. Wartime Housing Limited would, without taking responsibility for payment, be willing in its regular rental collections to collect for and on behalf of the municipalities taxes which the municipalities might consider appropriate to be levied against the tenants of these properties. It would be provided, however, that the levy established by the municipalities must not exceed the normal taxes charged on a similar type of housing bearing the full tax rate.

For example, for a house rented at $30 a month under the present agreement, $2.50 a month is paid by Wartime Housing to the municipality in lieu of taxes. Wartime Housing are prepared to enter into a contract by which they will bill the tenant for a net rental of $27.50, and will be prepared in their collection procedure to bill as a separate item taxes which the municipality considers appropriate. It might be the case that the municipality would feel that it should be receiving twice

the amount which it is now receiving from the dominion in lieu of taxes. In this event the tenant's monthly bill would amount to a net rental of $27.50, and taxes for the municipality of $5, making a total of $32.50. Wartime Housing is willing to renegotiate existing contracts on application from the municipality. I would like to make it perfectly clear, however, that the dominion is not willing to make increased payments in lieu of taxes out of the net rentals now being received.

As I mentioned earlier, the 1946 Wartime Housing Limited programme is now committed at some 4,700 units. It is not our intention to proceed with more of these units during the current year. Future operations of Wartime Housing Limited will be dependent upon the 1947 programme for housing and the extent to which it is deemed advisable for government directly to enter the field with low rental housing to be owned by them. It is also dependent upon the willingness of the municipalities to sponsor additional projects within their boundaries.

Next I should like to turn to the small holdings provisions of the Veterans Land Act as it relates to housing units which are not rural in all their aspects. Hon. members will recall that the purpose of the small holdings provision is to provide a place in the country for veterans who have regular employment, the land to make contribution to the veteran's livelihood. In some instances the regular employment is in an urban area, and in others it is in a rural area adjacent to the small holding.

With the very great shortage of housing there has been a tendency for the small holdings section of the Veterans Land Act to be used as a vehicle for supplying urban housing to veterans. Hon. members will recall that in the small holdings provision there is a conditional grant up to $1,400 for veterans who take advantage of it. The grant involves the veteran giving up his reestablishment credit, which for veterans as a whole averages somewhat less than $500.

Earlier in this statement I made reference to an arrangement between myself and my colleague, the Minister of Veterans Affairs. Under this arrangement we agreed that it would be advisable for approval for new small holdings which were not strictly rural in character to be cleared with the central operating group which has been established to look after all of the government's interests in housing. In our arrangement my colleague and I confirmed the policy of the government in that the director of the Veterans Land Act is generally not prepared to approve purchases under the small holdings provision within the boundaries of a municipality of over 5,000 people, and on the fringe areas of municipalities in excess of 15,000 people. The government is not prepared to extend this type of financing, involving a subsidy of some $1,000 over and above the veterans' reestablishment grant, into urban areas. We are very anxious to see the small holdings provision implemented to the full, provided it is implemented in the manner contemplated by parliament when the legislation was passed. My colleague and I have arrested a trend towards the small holdings section becoming a vehicle for financing veterans' urban housing.

I have outlined the working rule in determining the areas where we do not consider small holdings appropriate. There have been and will be exceptions on both sides of this general rule. For instance, we will not agree to the approval of a small holding within the boundaries of a municipality of under 5,000 people if that community in itself forms part of a metropolitan area. On the other hand there are communities of over 5,000 people which are distant from other urban areas and located in the centre of a large agricultural area. We have been prepared in such instances to approve a small holding, particularly where the municipal boundaries of the community are very wide.

Up to May 31 of this year, 17,359 ex-servicemen had qualified under the terms of the Veterans Land Act for small holdings. In the same period 4,885 land purchases were made by the director of the Veterans Land Act for small holdings. At the same date, 3,959 applications had been approved for small holdings.

I will not explain further the workings of the Veterans Land Act, because, notwithstanding the arrangement with my colleague, the responsibility remains with him. Our main purpose in entering into this arrangement is to coordinate the activities of his department with other forms of housing.

At this point I should like to refer to the National Housing Act, to which this resolution seeks certain amendments. The National Housing Act, as hon. members know, is designed primarily to finance and promote the construction of new housing, rather than to participate actively in the construction field as is the case of Wartime Housing Limited and the Veterans Land Act.

I wish to deal rather fully with the activities under the various sections of the act, since the legislation introduced by this resolution will, I hope, allow a wider application of the terms of the act and permit Central Mortgage

and Housing Corporation to extend its facilities. As I come to them I will indicate the nature of the more important amendments we seek. I do not intend, however, to explain them in detail. I would prefer to discuss them more fully when I move the second reading and after hon. members have had an opportunity to study the bill.

It might be said that the adequate financing provided for home owners by the National Housing Act at a time when mortgage money is plentiful does not result in one extra house being built. In some measure this may be true. However, the application of the act does have a very real influence on the types of houses being built, on who owns and occupies them, on the terms upon which they are purchased, on the quality of construction, and on the manner in which the mortgages are paid off by the owners.

I can assure hon. members that the National Housing Act is being vigorously administered. Operating techniques are constantly being improved, red tape eliminated. Loan approvals by Central Mortgage and Housing Corporation have been decentralized by the establishment of regional and branch offices throughout the country. Meetings are being held constantly with the lending institutions. Arrangements have been made for the handling of loan applications in all parts of Canada—city, town, village and rural areas. Lending values have been increased by eight to ten per cent. Amendments have been made to the minimum standards and specifications. Loan approvals are being cleared at a much faster rate. The integrated housing plan is being pressed forward and has been extended to include duplexes.

The National Housing Act is, in my opinion, a good piece of legislation which we seek by these amendments to improve and make more effective.

Under the National Housing Act the government is in the business of lending money on long tems for the construction of houses. Loans are of three kinds: joint loans made through private lending institutions; direct advances to limited dividend corporations up to 90 per cent of the lending value of a low-rental project, and home extension loans.

The first and most familiar of these is joint loans. Under part I of the act, loans are made jointly by Central Mortgage and Housing Corporation and approved lending institutions to prospective home owners or to builders of houses for sale to occupants.

Indicative of both the tremendous demand for housing and the fact that the National Housing Act is filling a definite need are the following statistics covering loan approvals under part I by provinces during the first six months of 1946, with comparative figures for the same period last year:

Part I

January 1-June 30

Province	1946 Loans	1946 $
Prince Edward Island	—	—
Nova Scotia	75	360,120
New Brunswick	39	189,000
Quebec	361	1,744,160
Ontario	1,726	7,810,020
Manitoba	522	2,536,000
Saskatchewan	158	693,880
Alberta	425	1,924,660
British Columbia	623	2,595,680
Total	3,929	17,853,520

Province	1945 Loans	1945 $
Prince Edward Island	—	—
Nova Scotia	17	79,940
New Brunswick	5	20,280
Quebec	200	1,026,200
Ontario	1,400	5,937,425
Manitoba	331	1,385,660
Saskatchewan	41	180,600
Alberta	116	521,000
British Columbia	307	1,187,180
Total	2,417	10,338,285

It will be remembered that maximum loans to home-owners are based upon 90 per cent of the first $4,000 and 70 per cent of additional lending value. By regulation loans may not exceed $6,400 because we are unwilling to lend any encouragement to large houses when the emphasis should be on small homes.

Present-day costs and sales prices present real difficulty. The $4,000 house of 1939 costs at least $6,000 and is often priced far above this figure. This has borne heavily upon the married veteran who, with so little rental housing available, has been forced to buy. He is faced with a larger down payment and larger monthly payments than he had anticipated.

Three steps could be taken to help meet this problem:

First, increase lending values to the current level of building costs which is of the order of 150 per cent of the 1939 level, with variations in different parts of the country. This has been done by the corporation increasing lending values by an additional 8 per cent-10 per cent as from April 29, 1946, so as to bring lending values into line with cost levels. We believe that present lending values are very close to the actual cost of building plus a fair builder's profit, but do not make allowance for extra costs such as delays in delivery of materials, inefficient labour and the very long profit being taken by some builders. We are unwilling to make loans

on extra costs of this kind. Although there have been some minor increases in material and labour costs since April 29, I believe that our level of lending values is as high as is prudent at the moment.

Second, lengthen the period of amortization to reduce the monthly payments of principal and interest. This is being proposed in the amendments introduced by this resolution. We seek to give the corporation authority to extend the period of amortization from twenty to twenty-five years. This will have the effect of reducing the monthly principal and interest payments by 12·2 per cent on a loan of like amount. Here is an example of the increased lending value and the longer amortization period: A house with a lending value prior to April 29 of $4,550, a maximum loan of $3,980 and monthly payments of $25.03 for principal and interest would, under the change to which I have referred and the revision proposed, have a lending value of $5,000, a maximum loan of $4,300 and monthly payments on principal and interest of $23.80, a reduction even on the increased dollar amount of loan. I will deal with this amendment more fully when moving the second reading of the bill.

Third, we have considered, and are not prepared to recommend, increasing the ratio of loan so that 90 per cent loans can be made on lending values up to $5,000 instead of $4,000 as at present. This would have the effect of an additional loan of $100 on lending values of $4,500 and a maximum increase of $200 on lending values of $5,000 and over. A strong case can be made for such a change. It would help bridge the very large down payment generally required to-day. The increase in amortization period offsets increased monthly payments. In urban areas the $5,000 house is the cheapest that can be bought in to-day's market. The 90 per cent loan provision originally contemplated this type of borrower and house, if not the price. As against these arguments we feel that loans are already very high. The home owner should invest the present difference between lending value and loan even if he purchases at a price in excess of the lending value. We think that already the increase in loans approved since April 29 has had the effect of increasing sale prices. A further increase by this device is likely to cause a further increase in sale price, which if carried to its logical conclusion would result in the same down payment by the borrower and a larger debt by the amount of such increase.

I should like to mention one other phase of the problem of the high level of loans. In 1939 it was thought that the ratio of income of the home owner to debt service—that is, payments on principal, interest and taxes—should not exceed about 22 per cent. To-day 26 per cent to 28 per cent is more the range with some loans or sales to home-owners approved at 30 per cent. The dangers of this level of ratio of debt service to income are very evident but in light of to-day's conditions this increase is necessary. The longer amortization term will tend to decrease these ratios. It is however another reason why it is not desirable to increase the lending value upon which 90 per cent loans may be approved.

The case for sound home financing of a long-term nature makes it inadvisable to accede to the arguments for a change in the ratio of loans made but to continue with our present practice.

Part II of the act provides for joint loans for rental projects, such as apartments and duplexes, on much the same terms as under part I, and a maximum loan of 80 per cent.

The table which follows shows the number of units involved in loans approved under part II of the act by provinces for the first six months of 1946, together with comparative figures for the same period in 1945:

Part II

January 1-June 30

Province	1946 Units	1946 $
Prince Edward Island	—	—
Nova Scotia	14	56,000
New Brunswick	—	—
Quebec	279	1,030,800
Ontario	229	1,351,900
Manitoba	17	58,200
Saskatchewan	—	—
Alberta	38	140,000
British Columbia	171	625,900
Total	748	3,262,800

Province	1945 Units	1945 $
Prince Edward Island	—	—
Nova Scotia	—	—
New Brunswick	—	—
Quebec	105	398,400
Ontario	124	366,660
Manitoba	11	61,600
Saskatchewan	—	—
Alberta	—	—
British Columbia	36	124,400
Total	276	951,060

These figures are not impressive. They reflect the small amount of rental housing being built. The number of units in this category is so small that we are attempting to make good some of the deficiency through Wartime Housing Limited and Housing Enterprises of Canada, Limited.

Among the reasons for the dearth of rental housing are the substantial profits on residences being built for sale and the builder's un-

certainty over being able to obtain large quantities of materials for this type of construction.

Units approved under parts I and II of the act during the first six months of the calendar year 1946 totalled 4,667 with loans amounting to $21,116,320. This compares with 2,693 units in the same period last year amounting to $11,289,345.

Mr. KNOWLES: Under which part?

Mr. HOWE: Under parts I and II.

Before we leave the subject of joint loans, I wish to discuss for a moment a few other points. The first of these is loan coverage. Since the inception of the National Housing Act, loans have been readily available in every city throughout Canada and in most of the larger towns. Until recently, however, some difficulty has been experienced with applications from residents of small towns and villages, especially those in outlying areas. In view of the desirability of making National Housing Act loans available on a national basis, and as a result of negotiations between Central Mortgage and Housing Corporation and the lending institutions, an arrangement has been made for the handling of applications in all parts of the country. The arrangement is working extremely well, and I am pleased to report that we no longer receive complaints from individuals whose applications cannot be serviced. I would also like to express the appreciation of the government to the eight or ten lending institutions which have taken on this important responsibility.

In the past there has been some difficulty over the lack of authority under the National Housing Act to make loans on leasehold land. This has been particularly true in national park areas, such as Banff and Jasper. The Department of Mines and Resources, quite properly, is unwilling to transfer in fee simple title to lands within national parks. We therefore seek an amendment to the act to authorize the corporation to make National Housing Act loans, under certain terms and conditions, for the construction of houses on land under leasehold.

My third point deals with cooperative housing developments. Under part I of the act, joint loans are available to cooperative housing groups formed for the purpose of building houses or apartments for occupancy by members of the groups. Under certain circumstances, loans for cooperative rental housing projects may also be made under part II (section 8), provided that the cooperative is already formed and has interests other than housing.

Applications are being received from cooperative groups for loans at 3 per cent for periods up to fifty years under section 9 of the act. This section provides for loans to limited-dividend companies for low rental housing projects.

Generally these applications are from groups of individuals being formed into a cooperative to build houses for their own occupancy with the equity being supplied by themselves. The form of the arrangement involves a lease to the member of the cooperative but in most respects the position of the member is that of a home-owner. These applications have been declined because section 9 was not designed for this purpose, its conditions cannot be fulfilled under such circumstances, it was never intended that the tenants of a low rental limited-dividend project should be its owners and the position of the tenant with respect to both his equity and continued occupancy is unsatisfactory.

An individual going into such an arrangement has no security of tenure because under the terms of section 9 he cannot continue to lease a unit in the low rental project if his income exceeds five times his rental. This condition exists to assure the low rental character of the project. Even if the tenant's rental—being paid in lieu of principal, interest and taxes—is current, he has no protection against foreclosure with loss of equity and tenancy if the project as a whole goes into default which might be occasioned by default of 5 per cent or 10 per cent of the tenants. In most of the applications we have received there is no indication of any reasonable measure of protection on this score. Nor are there funds other than the tenants' equity to assure completion of the project in a period of rising costs.

The position of the tenant when the loan on the project is repaid is not happy. Under the section he, as part owner of a limited-dividend company, or having an interest in it through a cooperative, may not receive more than his equity with 5 per cent interest. If the residual value of his house was greater than this amount he would have to make a corresponding payment to retain possession. If it was decided to sell the property as a whole the position would be even more difficult. To avoid this trouble it has been suggested that at this time we should provide that the units revert to the tenants at the end of the amortization period. This is not feasible in light of the intent of the act.

There are other reasons why we should not approve such applications. They, like the ones I have outlined, all add up to one

conclusion. Section 9 was not designed for home-owners. Nor was section 9, with long term money at 3 per cent, designed as a substitute for part I of the act which provides loans to home-owners at 4½ per cent for a term generally twenty years but under some circumstances up to thirty years. If we provide cooperative home-owners with 3 per cent money, our position becomes difficult with other home-owners.

Our position is very clear. We will not approve applications for loans under section 9 to limited-dividend companies where the prospective tenants directly or indirectly are financing the equity of the project nor where factors exist which are not compatible to a limited-dividend rental project as defined by the act. On the other hand we are ready to approve such applications under appropriate sections of the act, such as section 4 (3) which makes provision for loans to persons incorporated for the purpose of instructing and managing a cooperative housing project.

I would now like to deal with direct loans made by the corporation to limited-dividend companies. Section 9 of the National Housing Act authorizes advances by the corporation up to 90 per cent of the lending value of a low-rental housing project. The term of amortization may be extended to fifty years, and the interest rate is 3 per cent. Three of these loans have been approved, and another ten of them are under discussion.

The rapid advance in the costs of construction has made it increasingly difficult for applicants under this section to meet low rental housing requirements since rents are set up on an economic rental basis. Present conditions, therefore, are not conducive to a large volume of loans to limited-dividend companies if economic rentals are to be obtained. While there is provision for the provinces, municipalities, social agencies, trusts or persons to contribute to a rent reduction fund, this government, as a matter of policy. is not prepared to introduce subsidies either in the form of a grant towards capital cost or subsequent contributions to a rent reduction fund.

All applications from limited-dividend companies are carefully examined by the corporation, and although I do not anticipate a large volume of this type of loan during the next year, I do feel that some loans will be made. Certainly we are anxious to have this type of construction undertaken and the corporation is making every effort to approve applications within the principles laid down in this section of the act. In addition I expect that in the future many loans of this type will be made upon land made available through the slum clearance provision of the act.

Mr. KNOWLES: Has the minister any figures on these sections with which he has been dealing for the last three minutes?

Mr. HOWE: No. I am simply explaining the principles. There has been very little construction.

Mr. GREEN: Where were these low-dividend projects?

Mr. HOWE: Chiefly in pulp and paper towns.

Next I would like to deal with the activities of Housing Enterprises of Canada, Limited. Hon. members will remember that at the last session of the house amendments were made to sections 9 and 11 of the National Housing Act whereby an institutional holding company could proceed with rental housing. Shortly after these amendments were passed, all life insurance companies operating in Canada joined together and formed a mutual institutional holding company in the name of Housing Enterprises of Canada, Limited. Housing Enterprises contemplated a two-year programme of about 10,000 units and planned to distribute the much-needed rental housing throughout the urban communities from coast to coast. The financial arrangement is that loans are made to Housing Enterprises under section 9, as I have previously described, and the 10 per cent equity of Housing Enterprises comes under the provision of section 11 of this act.

When this proposal was discussed with the life insurance companies in July, 1945, it was contemplated that rental housing units providing two and three bedroom accommodation could be produced for shelter rents of about $35 and $40. Since then there have been increases in cost and at present it would appear that the rental level for most projects will be of the order of $39 to $45 for the two and three bedroom units. This is a low economic rental in light of to-day's costs but it is not the low rental contemplated when Housing Enterprises was formed.

In view of the substantially increased costs as well as a shortage of building materials, the 1946 programme of Housing Enterprises will be limited to some 3,400 units. Of these 1,945, comprising seventeen projects, have been approved by the corporation and are under way or will be under way this week. Tenders have been or are being called on seven other projects involving some 739 units, and the 700-odd units forming the balance of the pro-

gramme are being developed by Housing Enterprises as fast as possible. We anticipate that by August 1 work will be under way on virtually the whole 1946 programme.

The following is a list of projects by localities being undertaken by Housing Enterprises, together with an indication of their status, at July 15.

If I may I will have this table put on *Hansard*.

Mr. GREEN: Do these projects get priority for supplies?

Mr. HOWE: Yes.

Mr. MacNICOL: I believe it should be pointed out that the minister must get consent to place these tables on *Hansard*.

Mr. HOWE: After all, I am moving a resolution.

The ACTING CHAIRMAN (Mr. Golding): I was going to permit the minister to finish his remarks, and then ask that he be granted permission to have these tables placed on *Hansard*.

Mr. MacNICOL: Agreed.

Mr. HOWE: The table is as follows:

Project Location	No. of Units	Type	Status
Vancouver—A	136	Row	Construction under way.
Vancouver—B	213	Multiple	Tenders called.
Victoria	100	Single	Negotiating project.
New Westminster	112	Multiple	Negotiating project.
Regina	101	Single	Tenders called.
Saskatoon	50	Single	Tenders called.
Calgary	104	Single	Negotiating project.
Edmonton	100	Multiple	Negotiating project.
Stratford	108	Single	Construction under way.
Chatham	145	Single	Construction under way.
Windsor	113	Single	Construction under way.
St. Thomas	65	Single	Construction under way.
Sarnia	59	Single	Tenders called.
London—A	182	Single	Tenders called.
London—B	43	Multiple	Negotiating project.
Hamilton	116	Single	Construction under way.
St. Catharines	102	Single	Construction under way.
Kitchener	114	Single	Construction under way.
Brantford	50	Single	Construction under way.
Owen Sound	63	Single	Construction just starting.
Guelph	61	Single	Construction just starting.
Waterloo	50	—	Negotiations only.
Toronto—A	32	Multiple	Construction under way.
Toronto—B	72	Multiple	Construction under way.
Peterborough	128	Single	Construction under way.
Kingston	84	Single	Tenders called.
Brockville	50	Single	Tenders called.
Lindsay	50	—	Negotiations only.
Montreal—A	150	Multiple	Construction under way.
Montreal—B	384	Multiple	Construction just starting.
Quebec	100	—	Negotiations only.
Three Rivers	50	—	Negotiations only.
Saint John	106	Single	Construction under way.
Charlottetown	50	—	Negotiations only.
Total	3,443		

We are in great need of rental housing units. I have already mentioned the tendency towards the building of residential units for sale. Housing Enterprises and Wartime Housing are making the major contribution towards a new supply of rental housing units. I would like to express my appreciation, as well as that of the government, for the cooperation of the life insurance companies in entering into the rental housing field at this time when conditions are so difficult.

The resolution being introduced to-day seeks to introduce a new section dealing with loans to provide housing to primary producers in outlying districts, such as mining and lumbering companies. During the last year such companies have had great trouble in attracting labour. As a result production has suffered.

The day of the bunk house is over, and it is becoming increasingly apparent that if stable and permanent employment is to be provided in mining and lumbering camps, it is essential to employ a fairly large proportion of married men. Married men can be attracted only if housing is available for themselves and their families. Many instances have been brought to our attention where married men working in the mining and lumbering industries have

left their families in urban areas. If such men were able to move their families to their place of employment, it would relieve a certain amount of urban congestion. I will not discuss in detail the proposed amendment at this time except to say that we hope to introduce an efficient, expeditious and inexpensive method of providing much-needed family housing units in outlying areas involved in the production of primary materials.

Central Mortgage and Housing Corporation has taken over the administration of the National Housing Act in full, except for grants for slum clearance. In this instance, the corporation advises the Minister of Reconstruction and Supply but the grant itself is made by the minister, with the approval of the governor in council.

Slum clearance, however, is considered to be inopportune at the present time. The requirement for shelter is so great that the government cannot afford to permit the destruction of livable shelter of any kind. Slum clearance will come later when the pressing need for the occupation of every housing unit is lessened.

Part III of the National Housing Act, which provides for farm housing, has never been very successful. We believe that there are very serious deficiencies in the existing legislation. The resolution before the house to-day introduces an amendment which we feel will allow the corporation vigorously to promote the development of farm housing and to provide adequate financing facilities for this type of housing. I will make a fuller statement upon this amendment at the time of the second reading.

Hon. members will remember that part IV of the National Housing Act is a reenactment of the Home Improvement Loans Guarantee Act of 1937. At the last session of the house an amendment was passed making it possible to proclaim that portion of this part which deals with home extension loans, and to leave unproclaimed the portion which deals with home improvement loans. It was thought inadvisable at this time to use materials in short supply for the purpose of improving homes. On the other hand, we are anxious to promote the conversion of large units into an increased number of family housing units.

This portion of the act was proclaimed in April, 1946, and seven loans have been approved to date. I would remind hon. members that under the Home Improvement Loans Guarantee Act of 1937, some $50 million was loaned. However, only fifty-eight home extension loans, involving $192,000, were approved. The balance was on account of home improvement loans. It is not likely that the present home extension provisions of the National Housing Act will result in an impressive number of loans being approved, if for no other reason than the lack of houses suitable for the purpose. Many such houses have already been converted under the home conversion plan.

Under part V of the National Housing Act, Central Mortgage and Housing Corporation is empowered to carry on studies and investigations into housing conditions in Canada and to conduct technical research leading to improved living accommodation.

Research undertaken by the corporation along these lines since it was organized, at a cost of approximately $50,000, may be summarized as follows:

1. Financing the dominion bureau of statistics' studies on the number of dwelling units constructed in 1945 and being built in 1946.

2. Financing an investigation and report by the dominion bureau of statistics on overcrowding and multiple occupancy of dwelling units in Canada.

3. The corporation has also made arrangements with the dominion bureau of statistics to obtain comprehensive information respecting housing conditions in the prairie provinces when the 1946 census is taken in that area.

4. Jointly with the province of Ontario and the city of Toronto, financing an investigation and study by the university of Toronto into housing conditions in Toronto and a report of the estimated housing requirements in that city.

5. Assisting the architectural research group of Ottawa in study of a town planning proposal for a certain area in Ottawa and the preparation of an illustrated display of the proposal.

6. Investigation of construction costs in large-scale developments.

7. Studies of housing policies and plans in other countries.

8. A study of residential construction trends and the supply of building materials.

9. An investigation into site taxation methods and their significance in community development.

10. The operating records of Central Mortgage and Housing corporation provide information on housing conditions, incomes, construction costs and other data relating to new projects financed under the National Housing Act. To permit a proper appraisal of housing trends, the records of the corporation's lending operations are being set up on a machine basis of tabulation. It is intended to prepare monthly summary reports highlighting housing statistics indicating current trends.

11. Beginning on June 1, some exploratory work was started on research into housing finance as provided for in section 27 of the Central Mortgage and Housing Corporation Act.

In its administration of the National Housing Act, Central Mortgage and Housing corporation has established a research division to study land utilization and community planning. Provincial planning authorities have been consulted looking to the implementation of community plans. A research programme has been started with a view to obtaining economic, sociological and physical factual information pertaining to community planning. Through the facilities of the dominion bureau of statistics the corporation expects to gather factual data from the 1946 quinquennial prairie census sufficient to permit a complete study and analysis of existing community conditions. It is believed that from such studies, with the cooperation of both provincial and municipal planning authorities, it will be possible to establish basic community planning standards.

It is intended that this factual information, and studies based upon it, will be made available to all interested provincial and municipal authorities, either for public education or community planning use. The corporation also proposes to make public its findings.

Other research projects are to be undertaken in connection with regional planning and land subdivision. Advice is now being made available to subdividers. Methods are also being indicated whereby savings in service costs may be obtained without losing sight of the functional aspects of the subdivision which are so important to better social conditions.

In this connection I might add that on June 25 and 26 a community planning conference was called in Ottawa. Representatives of the provinces and of other interested groups were present and discussed mutual problems. At the conclusion of the meeting an organization to be known as the community planning association of Canada was formed. The object of the association will be to foster public understanding of and participation in community planning in Canada.

I now come to two specialized activities under the National Housing Act. The first of these is the home conversion plan which was established by a series of orders in council beginning with P.C. 2641 of April 1, 1943, under which authority was given to the government to lease buildings in certain cities, to convert them into multiple housing units and to sublet them to suitable tenants for the relief of the housing shortage.

Conversions completed at July 11, 1946, totalled 258, providing 2,097 housing units. Houses in the process of being converted on that date were two, providing eleven housing units.

The cities in which the plan is now operating are Vancouver, Victoria, Nanaimo, Fernie, Edmonton, Winnipeg, Toronto, Hamilton, Ottawa, Brantford, Galt, London, Windsor, Kingston, Montreal, Quebec and Hull.

It is not our intention to press further development at this time owing to the lack of suitable houses for conversion, as well as the shortage of materials and the very high costs involved. The term of the lease during which the crown recovered its costs was established at a time when costs were much lower. Were conversions to go forward at this time under present conditions, the length of the lease enabling the crown to recover moneys advanced would be too long, making the plan unsatisfactory not only to the crown, but to the owners of such houses.

The resolution proposes to put into statutory form the powers which were used for this plan under order in council. A small appropriation is included in the estimates for any new projects which seem suitable. The corporation requires the powers in statutory form not only to go forward with any occasional suitable unit, but also to continue to operate the existing converted units.

The second of these activities is the integrated housing plan which is a specialized application of part I of the act.

Its purpose is to promote the building of houses for sale, preference being reserved for veterans of world war II and their dependents.

By order in council we recently extended the terms of the integrated housing plan to duplexes which are defined as houses containing two family units, built one above the other, with separate entrances.

It is now proposed to bring the provisions of the plan, which is presently being administered under the Emergency Transitional Powers Act, under the National Housing Act, with a view to empowering the corporation to enter into contracts with builders.

The main features of the plan are:

1. A pre-determined maximum sales price.

2. Priority for materials under priorities order No. P.O. 11.

3. A government guarantee to purchase in the event of non-sale.

4. Sales preference to veterans.

As at July 5, of this year, thirty-five integrated housing plan projects, involving the

construction of some 2,135 units had been approved. Of these, work has started on twenty-one projects of 1,680 units.

Projects approved by cities as at July 5, 1946, are as follows:

City	No. projects	No. units	Units in projects with work started
Fort William	2	135	135
Galt	1	20	20
Hamilton	2	334	334
Hespeler	1	25	—
Kitchener	1	25	25
London	2	251	251
Montreal	2	110	100
Oshawa	5	99	74
Port Arthur	1	84	84
St. Boniface	1	61	—
Sarnia	1	100	100
Saskatoon	1	50	50
Swift Current	1	23	—
Toronto	5	231	137
Val d'Or	1	50	—
Weston	1	45	—
Winnipeg	6	442	370
Vancouver	1	50	—
	35	2,135	1,680

This, Mr. Speaker, has been a summary of stewardship by this government of its activities in the housing field. The statement has been longer than is usual when moving a resolution, but I know that it is a subject of great interest and will, I am sure, occasion some remarks by my hon. friends on the other side of the house. In fact, there has been a considerable measure of criticism directed at the government because of the acute housing shortage. My statement to-day reveals, I think, that the record of the dominion government in the housing field is not inconsiderable. Let me review briefly a few points:

46,900 dwelling units provided in 1945; target for the year ending March 31, 1947, 60,000; for the twelve months ending March 31, 1948, at least 80,000 units.

Consolidation of all federal housing activities in Central Mortgage and Housing corporation which, in turn, reports to the Minister of Reconstruction and Supply.

Streamlining of lending operations under the National Housing Act, both to individual borrowers and to limited-dividend corporations, resulting in a substantially increased number of loan approvals.

An eight to ten per cent increase in lending values making a present level of about 150 per cent of 1939 levels.

Arrangements for making National Housing Act loans available on a national basis by seeing that all municipalities in Canada are now covered.

[Mr. Howe.]

Proclamation of part IV of the Act with respect to home extension loans.

Revision and extension of the integrated housing plan.

Extension of housing research and community planning operations.

Introduction of a new priorities rating system giving preference to low-cost government-sponsored housing for veterans.

Extension of the period during which the double depreciation method of financially assisting Canadian industries applies.

Expansion, where possible and practicable, of manufacturing facilities for building materials.

Extension of operations under the emergency shelter regulations.

A stepped-up post-war construction programme by Wartime Housing Limited.

Expanded operations under the Veterans Land Act.

I commend this record of accomplishment to the attention of hon. members.

In the light of my remarks on the record of this government to date in the housing field, I would now like to take a moment or two, Mr. Speaker, to consider what the immediate future holds in store.

That a deficit of housing will confront us for some time to come is virtually certain. At the same time, I can assure hon. members that no effort will be spared by my department and by the government as a whole to meet the deficit, to relieve a critical situation.

The production of materials will be increased by every possible measure in order to assure the construction of a maximum number of houses this year. Failing major upsets, we shall see the completion of at least 50,000 units in the year ending March 31, 1947. Our target—which will be limited only by the flow of materials and supplies—is for 60,000. This will be accomplished in spite of increased industrial and commercial construction. Our aim for the year following—the twelve months ending March 31, 1948—is 80,000 units.

The legislative and administrative steps which I have outlined to-day give clear indication of a positive and integrated housing policy. This policy is designed primarily to see to the immediate shelter problem, but it does not neglect the long-term implications of the need of raising the standard of housing for people in this country. In conclusion, I would like to sum up the main principles underlying our aims and objects.

(1) High priority. Adequate housing for the Canadian people is one of the major tasks before us. The utmost effort will be directed towards meeting this need, and the resources of the country will be used to this end.

(2) Private and public housing. It is the policy to ensure that as large a portion as possible of housing be built by private initiative. The dominion government will lend every facility to private enterprise to build as many houses as are needed. Where private building is impeded by the lack of funds, we have made and will continue to make financial assistance available both in urban and rural housing. Where private housing construction is delayed through shortages of material or lack of trained labour, we have taken and will continue to take steps to improve both the material and labour supply. If, however, with all the assistance we can provide for financing, materials and labour supply, the houses required to substantially improve the housing standard of the Canadian people are not forthcoming, then the dominion government will take a direct position in the housing field.

Already we are engaged in such measures as veterans' housing projects under Wartime Housing Limited, the small holdings provision of the Veterans Land Act, and Housing Enterprises with the assistance of the life insurance companies. We are in these endeavours because in each instance housing of this type would not otherwise be forthcoming. We would be very happy to withdraw, but there seems no immediate prospect of housing of this type being produced by other means. I hope that the dominion government's direct participation in the housing field will reduce rather than increase, but we are determined to see that an adequate number of homes are built in Canada in the future.

(3) Housing standards. We believe that houses should be constructed soundly and be of a high standard so as to provide comfort to the people of this country commensurate with the high standard of living at which we are aiming. This will involve new houses for families with low incomes who cannot afford to pay economic rentals. The dominion government has made and will continue to make adequate provisions to make the financing of low and moderate rental housing projects possible. But subsidies to create uneconomic rentals are, in my opinion, a matter for provincial and municipal concern.

The dominion government has, on the occasion of the dominion-provincial conference on reconstruction, invited these governments to consider such aspects as rent reduction funds, land acquisition and local taxes. While no proposals have been submitted in this respect to the dominion government, we will continue to strive for provincial and municipal cooperation in attaining the goal of bringing rental levels down within the capacity to pay of families in the low income group. Other measures to raise the standard of housing will be slum clearance projects and the insistence upon minimum housing standards to which each house built with federal assistance has to comply.

(4) Increased efficiency. Much of the success of the housing programme depends on the efficiency of the house-building industry, both management and labour, to reduce costs and tap markets hitherto untouched. Already we have taken steps to increase efficiency in the housing field. Our efforts have ranged from large scale housing projects to building material research and the stepped-up training of building labour. We will continue to pursue all possible avenues of endeavour which in our opinion will help to reduce the cost of housing to the consumer, while still leaving adequate remuneration to the builder and the construction worker for their efforts. This will require continued research and technical investigations in the field of housing activities. Part V of the act recognizes this need, and we propose to implement this section to the fullest extent of scientific and technical facilities available. Already a start has been made. But we can only encourage increase in efficiency. Industry alone, both management and labour, can achieve it.

(5) Community planning. Finally, we believe that the success of our housing programme is closely tied to an orderly and well integrated growth and development of our cities, towns and villages. With the help of provincial and municipal governments, professional and other organizations, we are embarking upon a programme of furthering community planning through financial assistance, research and education.

These broad principles will, we believe, take care of the housing needs of this country, not only in respect to the immediate emergency period ahead of us, but also, with appropriate adjustments in light of experience, in respect of our long-term requirements. Our housing problem is a major task and requires constructive cooperation from everybody in Canada. There is no royal road to a speedy solution. The road ahead is uneven with improvement in sight, but with many problems still requiring an answer. With a continuation of the cooperation we are now receiving from financial institutions, management and labour in the construction industry as well as from the industries supplying building mate-

rials, we will be able to achieve our aim. We must first overcome the immediate emergency task of providing shelter for everyone in the country. We must then make rapid progress towards our long-term target of improving the standards of housing and living for Canadians.

The ACTING SPEAKER (Mr. Golding): During the minister's introduction of his resolution he referred to certain tables which he would like to have placed on the record for the benefit of the members. Has the minister unanimous consent?

Some hon. MEMBERS: Agreed.

Mr. DONALD M. FLEMING (Eglinton): Mr. Speaker, it would be premature to attempt at this stage to comment on the features of the legislation proposed to be introduced by the minister in the light of the wording of the resolution before the house, but I think it is appropriate to make some passing observations on the lengthy statement which the minister has made.

I am sure that the house is glad that the minister has seen fit to make this statement. I point out that the last occasion on which the house was afforded anything approaching a comprehensive statement from the government on the housing situation in Canada was on March 20 last, when the Minister of Reconstruction and Supply (Mr. Howe) spoke in the debate on the address in reply to the speech from the throne. This is July 22. Four months and two days have passed since the last statement from the government that could be said to approach a comprehensive statement on the housing situation.

When we speak of housing conditions in Canada we are speaking of the problem which is beyond question the most critical internal problem that we face in Canada to-day. I want to say with all the emphasis at my command that it is the duty of this house to keep itself fully informed on housing conditions in Canada, to keep its finger on the pulse of that great problem. It is not good enough to have statements from the government at four-months' intervals while the house is in session.

I have suggested before—I hope I am not tiring the house in referring to it again—that the housing situation in Canada is and will be for a long time to come so serious, so critical that there ought to be within the framework of the machinery of this house some continuing body which can apply its intelligence to the problem and receive information on a current basis. There is nothing revolutionary in that suggestion. I think it is a suggestion that the government ought to welcome. But the government does not act upon it. Would it not be of immense value to the house and to the country if there were a committee of this house which could obtain statements as it requires them, not at long intervals but from week to week or month to month, as occasion arises, and examine the officials of the various government corporations which are now charged with administrative responsibility in respect of housing, namely Central Mortgage and Housing Corporation and Wartime Housing Limited. Members of the house have never had under the present set-up an opportunity of examining those officials and obtaining first-hand information from them. I think that is a distinct lack in the present framework of the machinery of this house.

The measure which the minister proposes under this legislation to introduce is the first housing legislation submitted by the government at the present session. It is well that there should be some new housing legislation, if this is to be the only opportunity afforded the house of discussing in a specific way housing conditions in Canada, because it just does not give members an opportunity to come to grips with the housing situation and have a specific debate on this problem to touch on it in such general debates as the debate on the address in reply to the speech from the throne or the debate on the budget. This resolution and the bill which will be introduced following the adoption of the resolution afford the first opportunity given to the house this year for a specific, direct debate on housing conditions in Canada.

I shall not attempt at this stage to deal with the features of the legislation proposed. There will be a better opportunity when the bill has been before us and has been scrutinized.

One had hoped that the review from the Minister of Reconstruction and Supply to-day might give encouragement to believe that the worst is over as regards housing conditions in Canada. The picture painted for us of those conditions by the minister is neither heartening nor encouraging. It is true that some features of the report which the minister has given the house are reasonably bright. Some parts of the report which he gave with reference to the production of certain building material the house will receive, I am sure, with welcome. But the over-all picture that is presented by the minister to-day as regards current housing conditions and the outlook for improvement over the next year and a half is not bright; on the contrary, it is discouraging.

What is the picture which the minister has presented to us? In the first place, he says there is at the moment a deficit of 150,000 housing units. That is measured in terms of the housing emergency, not in terms of the over-all need to improve housing conditions in Canada, or to eliminate substandard houses and slums, but is simply the immediate emergency need to-day—150,000 housing units. What is the outlook for the future?

The outlook is this, that by the 31st of March of next year, namely by the spring of 1947, not only will that condition not have improved but it will actually be worse; the deficit in respect of emergency needs of housing will by that date have increased to 180,000 housing units. The situation by the spring of next year will be, we are told, twenty per cent worse than it is to-day. Then, what of 1947 after the spring of that year? The government's objective is to be 80,000 housing units for the year which will commence April 1, 1947, and end March 31, 1948. It means this, that so far from catching up with that further deficit of 30,000 housing units and keeping abreast of the situation as it develops during the summer of 1947, we cannot expect, in the light of present government housing policies, any over-all improvement in the situation in comparison with it as we know it to-day, July 1946, until, probably, the end of 1947.

That, I say, is a very dark picture. The people of this country so far as housing conditions are concerned have borne a great many disappointments; they have suffered many hardships, and they had hoped for something better than this at the hands of the government. We see the government always ready to accept credit for any Canadian accomplishment, any construction of houses. The government must equally accept responsibility for failure.

The report we have heard to-day will deal a hard blow at the hopes of many thousands of Canadians living under conditions of hardship and squalor. If the picture is dark, if the best the government can do gives but a dark outlook for housing conditions, it is much better that the people of Canada should know it, that we should have a frank exposition from the government so that the people will not be permitted to go on conjuring up hopes which would only be dashed next winter.

But, having said that one commends frankness, one does not at all excuse the government for the darkness of the picture. While one approves frankness, one would like some evidence of that quality among members of the government who undertake to deal with housing conditions. The house has heard what the Minister of Reconstruction and Supply has had to say about housing conditions, and his candid admission that they are going to be worse before they are better. I turn by way of contrast to a speech made by the Minister of Veterans Affairs (Mr. Mackenzie) in Brandon on January 24, 1946. It bears the title "Aftermath."

Mr. MACKENZIE: The incurable optimist!

Mr. FLEMING: This speech—and I take it that the copy I have received is authentic, since it came, I believe, from the department presided over by the Minister of Veterans Affairs—contains these two interesting paragraphs:

> There seems to be a belief in some minds that housing is a problem peculiar to Canada alone, and one which could have been averted. It is a problem common to all nations to-day who unstintingly contributed their production to the sacred cause of Victory.
>
> There is discomfort, even hardship, at the moment, but through emergency measures by all levels of government, through energetic action by industry, and above all, through the warm-hearted hospitality of the people of Canada, we can truthfully say that in this country at least the worst is past.

In the light of the statements made in the house to-day by the Minister of Reconstruction and Supply—to paraphrase this language, no one can truthfully say that in this country at least the worst is past—

Mr. MACKENZIE: It is a good speech.

Mr. FLEMING: —and in all charity to my hon. friend the Minister of Veterans Affairs one can only say that undoubtedly the minister's fidelity to reality was unable to withstand the torrent of his eloquence.

The over-all picture is not the only discouraging aspect of the report made to the house this afternoon by the Minister of Reconstruction and Supply. I do not profess to be able after his long review—a two-hour review—of housing conditions in Canada and government policy in relation thereto, to be able to make an analysis of it on the spot, but I comment on the fact, in relation to what I said earlier, that it is a sad situation when the first attempt to release that information is made now, after damming it up for four months. It would have been better to release the information in this long statement earlier, instead of attempting to hold it back until this two-hour presentation to-day.

The house will be disappointed, I believe, to find that while the minister speaks of the government's intention to encourage imports, he has not a word to say about trying to retain in Canada some of the building materials that are at present being exported. Not a word. We have been drumming on this subject in the

house ever since the present House of Commons assembled in September last, and we have yet to hear the first word of encouragement on the question of retaining in Canada, for the use of Canadians constructing needed homes in the country, the building materials that are produced here.

But that is not all. I submit that we did not hear from the minister a presentation of any adequate policy for integrating the plans of the government now, whatever they may be, for construction to meet emergency needs with any proper long-range approach to the housing requirements of the country over a period of time.

It would be only a repetition of things I have said before to go into that situation at length; but it would be nothing but folly, nothing but a prodigal waste of public funds, if we did not have a far-sighted attempt on the part of the government to integrate our present efforts to meet the emergency aspects of the housing need with a proper long-range approach to the housing problems of the people. That means taking full account of the 325,000 sub-standard housing units in Canada which we were told by the Curtis commission two years ago existed and which unquestionably have increased in number since. I say, we have not heard anything in the way of a proper integration of effort or of a long-range approach to the question.

There is nothing but disappointment also for those people in Canada who have been looking for some provision of houses to rent. The minister said that the great bulk of construction in Canada carried on during the past year and at the present time has been the construction of housing for sale, whereas the present need in the country is the construction of houses for rent. What encouragement does he give to people who are looking for houses and who cannot afford to buy houses at present prices? There was not a word of encouragement from the minister, only discouragement.

Consider what the minister said in regard to Housing Enterprises Limited. The objective set for Housing Enterprises Limited at the beginning of the year was 6,000 units. That is what the Minister of Reconstruction and Supply said in an address he gave to the Canadian club of Toronto on April 15, 1946. He said:

> A new agency, Housing Enterprises Limited, sponsored by Canada's insurance companies, is now entering the field of low-rental housing, with a programme for 1946 of 6,000 units. This project will be most helpful towards meeting housing requirements in a field that has recently not been attractive to private investment.

[Mr. Fleming.]

He tells us to-day that Housing Enterprises Limited has reduced its objective to 3,400. It has slashed its programme by nearly one-half. We are not half way through the construction season of 1946, and already Housing Enterprises Limited has reduced its housing construction programme to the extent of nearly one-half. Not only is that a disheartening picture for those who are in need of houses to contemplate, but it is an admission of failure on the part of the government and in particular of the administration given by the Department of Reconstruction and Supply.

What is the national objective for the current fiscal year? The objective, we are told by the minister, is 50,000 to 60,000 housing units; toward the end of his remarks he said it was 60,000 housing units for the fiscal year ending March 31, 1947. He says that the number of units built in the first twelve months after V-E day, that is, ending May last, was 46,900, and the best that the government can ask the people of Canada to hope for is an improvement to the extent of 10,000 at the most, in the year ending March 31, 1947.

If that is the best the government has to offer the Canadian people, not only is it not good enough, but it is a confession of its own incompetence to cope with the problem. The sights of the government must be raised, because 60,000 housing units by March 31, 1947, will leave the situation much worse than it is now, and we shall have to face a deplorable condition before the coming winter has run its course. In the statement given by the minister to-day, this summary of stewardship, as he has described it, we have heard a confession of failure on the part of the government.

Mr. J. O. PROBE (Regina City): I listened for some two hours this afternoon to what should have been the report of the super-optimist who spoke to the House of Commons some time ago on the manner in which reconversion in this country was being effected to the satisfaction of Canadian citizens. I must confess that, after two hours of facts and statistics which I have no doubt eminently covered the subject of housing as it exists in Canada, I at least got the impression that we had been hearing, not the report of a super-optimist with regard to housing but rather an admission of the ineffectiveness of a plan that had been drawn up by some tired old gentleman.

It is not necessary for me at this stage to go into a large number of figures and statistics. They have been put on the record by all those who have spoken on the subject of

housing. But the fact remains, regardless of statistics that have been presented here this afternoon by the Minister of Reconstruction on behalf of the Central Mortgage and Housing Corporation, that there are not sufficient houses being built. That is the sum total of the criticism which citizens generally have to make, and which it is the duty of members of this house to bring forcibly to the attention of the minister, with every bit of energy they can summon.

I agree with the hon. member for Eglinton (Mr. Fleming) that the government was remiss in waiting four months after the session had begun before bringing down the report which the minister has presented to the house to-day. I suggest, however, that while the hon. member for Eglinton was drawing attention to the obvious fact that we are not building homes for the people of Canada, he should have gone a step further and indicated to the house just how the party to which he belongs would carry this ball. I do not think there was ever a more glorious opportunity for either the Liberal or the Conservative party in this house, the exponents of private enterprise, to demonstrate to us, who are simply socialists, how private enterprise could be made to work in this instance. I am sure that every member of this house and every person in the country must be in complete agreement on the necessity of constructing homes for the people of Canada. But how each individual could be made a little capitalist in his own little backyard, with a house which he could call his own, neither the policies of the present government nor those of hon. members to my right would indicate. They do not show how the individual can best become that private entrepreneur. As I say, that opportunity was missed. We are in definite agreement with respect to one thing. In every part of Canada we need more houses. All parties agree that we could use better houses than many of those in which citizens of this country live, including, by the way, members of the House of Commons, who are now living in Ottawa. I am also quite certain that most of us are in agreement that by some means or other we should be able to provide less expensive houses for the people who are expected to buy them and live in them. These are the points which I feel have been missed both by the Minister of Reconstruction (Mr. Howe) and the hon. member who acted as critic for the Progressive Conservative party.

Once more I must draw this fact to the attention of the house. In spite of the fact that what the minister read was intended to be a glowing progress report, we have actually fallen behind on current demand for housing this year. We have fallen behind somewhere between twenty and thirty thousand units. According to the minister, we had the best building year since 1928. Even that statement would bear some inspection. I recall that last year I was interested in a project on Carling avenue in Ottawa which was sponsored by the Minister of Veterans Affairs (Mr. Mackenzie). There a project of veterans' houses was being undertaken. I remember that last fall we had a little difficulty in keeping one of the basement walls propped up. I went there recently to have a look at the houses. It is now a matter of ten months since the construction was undertaken and these houses are still not being used by the veterans for whom they were intended. On the basis of that and other projects that I have seen in other parts of Canada, I would judge that the 46,000 and some odd houses which were reported to have been built are definitely not finally completed.

While drawing attention to the fact that we have a large problem on our hands in providing houses for Canadian veterans, the Minister of Reconstruction, both in his statement and in the resolution which he has introduced for the consideration of the house, is, as I see it, not approaching the problem. To illustrate what I mean, I think we all agree that people in the upper income brackets are well able to look after their house-building under any financial or building supply difficulty. The people whose needs, whether for ownership of for rental, will not be met by any policy which the government is willing to undertake now are those in the low-income group.

Recently I had an interview with the president of Central Mortgage and Housing corporation where I acted on behalf of a housing group from my own city which wished to get moneys for the purpose of a fifty or sixty unit housing project in Regina, but they were definitely opposed to the present high interest rate of 4½ per cent which the terms of the National Housing Act demand. I went to the president of this government corporation to find out the reasons why a body which consisted of fifty or sixty wage-earners of the middle-income group, $2,000, $2,300 or $2,400 —persons who represent the better than average income group, certainly of my city, and who were equally responsible financially and as secure in terms of the bank as any of those puppets of the mortgage companies which have contracted to put up their three thousand odd houses this year—could not get loans. The president of Central Mortgage and Housing corporation told me that it was against the policy of the government, as he was

instructed to administer it, to consider members of the cooperative housing association as being anything other than a group of individuals attempting individually and on their own security to secure loans under the National Housing Act. Therefore they could get no better terms than 4½ per cent.

I wish to draw the minister's attention to what they are doing across the border with respect to cooperative housing associations. Lest anyone think that the United States has gone socialist with respect to cooperatives, I desire to remind hon. members of the fact, which they already know, that the United States is still an exponent of private enterprise. Perhaps the difference is that they still believe they can put a little enterprise into this old machine. But they are willing to play ball with cooperative housing bodies. The housing act which came up last November, the Wagner, Ellender, Taft proposal provides assistance to non-profit corporations for mutual ownership housing, which would be eligible for ninety-five per cent of their loans with a forty-year maturity, and a maximum interest rate of 3½ per cent. The act foresees the possibility that the private mortgage companies might not care to play ball with cooperatives. Therefore it makes the provision that if private capital should not be available to mutual ownership corporations on these terms, then the federal national mortgage corporation is authorized to make the necessary loans. That is the way in which the mutual home ownership proposition is being handled in the United States. They have an interest rate which is lower than ours; they have an amortization period which extends to forty years. By their attitude toward cooperative home-owner groups they are adopting an attitude which has been recognized for years in Great Britain, Sweden, Denmark, the Netherlands and other enlightened countries.

If we are to build houses for our people—and I presume the minister is as sincere in that desire as any other hon. member—the minister must not let his personal or political prejudices blind him to the methods by which this can be done. If he is flexible, if he is a business man, when one procedure fails he should try another one which might have a chance to work. But I maintain that the present government are opposed to any cooperative form of building enterprise; they are definitely opposed to anything which is going to provide ownership to a low-income family at a decent, repayable amount. Of course the proof of the pudding is in the eating, and the fact is that the low-income people are definitely not getting houses.

[Mr. Probe.]

In the resolution the minister has brought in for the consideration of the house there are certain suggestions for the extension of the lending feature. For example, apparently he proposes to lend money for the construction of homes by those who have only a leasehold interest in the land, and his explanation this afternoon suggested that this would be for the purpose of building homes in public parks and elsewhere in the public domain. I venture to suggest that before the bill to be founded upon this resolution has run its course or is replaced we shall have a capitalist corporation lending its property on a leasehold basis to individuals who thereby may be tempted to build on corporation premises. Then, for one reason or another, this corporation eventually will have the down payment of the individual plus the property on which the home was originally constructed. It follows the old English practice whereby property was retained in the name of the landed aristocracy; I think it was called, "in entail".

Further, in the fourth section of this resolution the minister proposes to subsidize, again not the home-owner but large pulp and mining corporations, to perpetuate ghost towns paid for by the money of the people of Canada. I see several of these projects under way now along the Canadian Pacific main line between here and Fort William, and I venture to predict that if these companies are not already operating under some form of agreement with Central Mortgage and Housing Corporation to take over the risk of the projects, they will approach the minister after this resolution and the bill to be founded upon it are passed.

The minister has not shown, either by this resolution or in his address, that he has done anything to get the cost of materials down, or that he has taken positive action for the production of additional building material. I know this afternoon he gave us statistics showing that the production in April of this year was up some thirty per cent in some commodities as compared with April of last year, and so on all down the line; but the cold fact is that we are still not getting material in sufficient supply, that we still get letters from our constituents and others asking where the bottleneck is and what are the government doing about it. The right hon. minister gave no indication that he had taken any positive steps to remove any of these bottlenecks in supplies. Nor has he done anything to reduce the cost of these materials. As a matter of fact, material costs are continuing to increase.

In the two or three minutes remaining before six o'clock I should like to suggest to the minister that he extend the provisions of the National Housing Act in two important particulars. I am certain that a combination of these two extensions will bring about a considerable increase in the number of home-owners in this country. My first suggestion is that he permit cooperatives to be treated on the same basis as mortgage companies, so that they may borrow money at three per cent for construction purposes. The second suggestion is that he give the low-income groups an opportunity to become home-owners by combining a changed amortization principle with a reduction in the cost of money to the individual. The period of amortization should be extended to thirty or forty years. If we can lend money to Great Britain at two per cent, starting in 1949, there is no reason in the world why we cannot lend money at the same rate to Joe Doaks out in Regina or Vancouver or anywhere else. If we can do it in the one instance, if it is humanitarian and good business, then we can do it in the other instance.

I should like to give the house just one or two figures to indicate the approximate monthly repayment required on a loan of $3,000 at various rates of interest and over twenty-year, thirty-year and forty-year periods:

Approximate Monthly Repayments on $3,000 Loan

Interest rate per cent	20 years	30 years	40 years
1	$13 86	$ 9 69	$ 7 62
2	15 29	11 17	9 15
3	16 81	12 76	10 82
4	18 40	14 46	12 64
5	20 07	16 38	14 58

Three per cent is the present rate allowed to mortgage companies, and five per cent is just above the present National Housing Act rate. I want to warn the right hon. minister of what I am sure he must know, if he would only admit it and do something about it. That is, until you bring the cost of building materials down, by legislation if necessary, or by going into the business on a socialist basis as a government, and change the basis of amortization from twenty to thirty or forty years and at the same time reduce the interest rate, you will never have the citizens of Canada housed as they deserve to be.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

Mr. D. KING HAZEN (St. John-Albert): Mr. Speaker, I hope that the amendments to the National Housing Act which are set out in general terms in the resolution which the Minister of Reconstruction and Supply (Mr. Howe) moved this afternoon, in the course of his long and instructive speech, will result in relieving the housing shortage that has existed in this country for too long a time. The fact that these amendments are being made seems to me to be an admission on the part of the government that it has failed or has not been successful up to the present time in the efforts it has made.

It is not my intention to speak at any length this evening, but I want to bring to the attention of the Minister of Reconstruction and Supply the fact that there exists in Saint John and vicinity, as well as in other urban centres in New Brunswick, an acute shortage of housing accommodation, which shortage works great hardship on the men who served in our armed forces and who are now endeavouring to reestablish themselves in civil life. A few days ago I received from Mr. L. W. Elster, secretary of the Saint John branch of the Canadian legion of the British empire service league a copy of a resolution which had been moved by Reverend W. C. V. Martin, seconded by A. E. Skaling, and carried unanimously at a meeting held on August 8. The resolution, which sets out clearly the situation that exists there reads as follows:

> Whereas Saint John branch No. 14 view with alarm the indifferent attitude of government bodies in providing low cost housing accommodation to fit the incomes of lower paid working men, among which are a large proportion of ex-service men.
>
> It is resolved, that we, the Saint John branch, do strongly demand that immediate action be taken by government authorities to relieve the appalling housing conditions under which ex-service personnel are now compelled to exist, which is poor compensation for the sacrifices they made, and the promises they were given for a better future for themselves and their children;
>
> And be it further resolved, copies of this resolution be forwarded to Prime Minister King, Reconstruction Minister Howe, D. King Hazen, M.P., dominion command, provincial command, Premier McNair and the mayor and common council, warden and councillors of the municipal council of the city and county of Saint John.

I recognize the fact that the dominion government cannot perform miracles, but it has held out certain hopes and made certain promises to our returned men and it is up to it to implement those promises.

Mr. STANLEY KNOWLES (Winnipeg North Centre): Mr. Speaker, obviously this is a measure which can best be discussed in detail when the bill has been presented to us and we have had a chance to examine it before second reading, but it does seem to me that there are a few things that should be said at this time following the lengthy statement made by the minister this afternoon. In all fairness, it must be admitted that he did a good job of lining up the situation as it now stands, with respect to both the need that exists and the machinery that has been put into motion and amended from time to time by the present government to meet that need.

On the other hand, it did seem to me that the minister's statement was even a more hopeless one with respect to the future than even he admitted it to be. Certainly it was lacking in any vision and any sense of realization that this housing problem in Canada could be turned into a glorious opportunity to do something on a grand scale, something that would be really worth while for the people of Canada.

As I listened to the minister speaking this afternoon I made a good many notes, and as I looked over those notes afterward it struck me that the minister had made a good many admissions with respect to matters that are important and germane to this whole question. First of all, the minister recognized that there is in Canada an acute housing problem which at the present time, to use his own words, is worsening.

He recognized also that up to the present time, despite all the achievements for which he wished to claim credit, the problem has not been met. He was honest enough, as he went along with his speech, to refer to a number of points on which the machinery put into motion had not come up to the government's expectations or hopes. However, it was something to have had from the minister a frank recognition of a problem which requires the full-time attention of a minister who has achieved the reputation for energy which the Minister of Reconstruction and Supply (Mr. Howe) has earned.

During the early part of his remarks the minister spent a good deal of time on the problem of housing materials and he indicated that he recognized the importance of materials in any programme for the building of houses. He indicated at least some of the steps the government had taken to try to improve the situation with respect to materials. In that part of his speech he dealt with the proposal to extend the time allowed for double depreciation and said that the government had taken action in other ways which would be indicated to us in greater detail at a later stage in the debate.

I strongly support the minister in his bringing to our attention and to the attention of the country the importance of the provision of housing materials in any programme of housing construction. It reminded me of an experience of mine, listening to a debate at Westminster on this housing problem. The government over there has taken really advanced steps to provide housing materials, recognizing that they are basic to the whole business of the building of houses themselves.

I was interested too in the minister's recognition of the important part that an adequate housing programme can play in providing employment. He gave interesting figures in relation to the number of men employed in certain sections of war industry and how it would require that number to carry on an adequate housing programme. As a matter of fact, it reminded me of things that some of us have had to say from time to time, namely, that this whole business of housing provides a glorious opportunity to the government of the day, to any government in power, to do two things: one, to meet the needs of our people for homes to live in and, two, to provide useful employment on a large scale.

I was interested in hearing the minister state his recognition of the need for training workers in the construction industry so that we might be properly prepared in the field of labour as well as in materials.

Another recognition that the minister gave us had to do with the necessity, to some extent at least, for the control of prices of houses. I believe that he made that point when he was referring in part to what appears in section 4 of the resolution before us. He made a statement to the effect that when one provides assistance for speculative building there must be control over prices so that the people of the country would not be exploited. It is good to have that need before us too.

The minister also, although very briefly, admitted to us—and this was one of the points where he admitted that the government's machinery had not done everything that it had hoped it would—that the needs of our rural population for housing somehow had not as yet received full consideration or attention. That was one subject on which the minister did not ask for unanimous consent to place any tables on *Hansard*, and we all have a pretty good idea why. Such tables, if presented, would show that there had been very little activity in that field, in fact almost none at all. The

recognition of that leads to some of the proposed amendments in the resolution before us.

The minister also indicated that another bit of machinery instituted by this government had not fulfilled its purpose, namely, Housing Enterprises Limited, which represents the joint effort of the life insurance companies of Canada in the housing field. The minister's statement was to the effect that although a certain number of projects were under way and a certain number of units were being built—and he gave the figures—the rentals which Housing Enterprises Limited felt it necessary to charge were higher than one could regard as satisfying the demands of a low rental housing project. On that score the minister was frank enough to admit anxiety over a phase of the problem that concerns a good many of us.

The minister also referred to slum clearance, using a plausible argument, to the effect that nothing could be done about that now because of the need of retaining in use every housing unit that can be lived in at all. When some of us think of the conditions of some areas in Canada which are referred to as slums, we realize what a shameful admission that was for the minister to have to make, namely, that these dwelling units must continue to be used. It was an admission that there is a tremendous problem which thus far has not been touched at all by this government through its housing legislation.

Related to that, the minister had a reference in the closing part of his speech to the need for raising housing standards generally. He admitted that even after we overtake the actual deficit in the number of dwelling units which now plagues this country there is a real problem in terms of our desire for adequate Canadian standards of living, the need for raising the standards of the homes in which our Canadian people live.

So that we had set out before us in the speech of the minister, along with the analysis that he gave us of the present situation, a real target to aim at, not just a target in terms of so many units within the next one or two or four or five years, but a total target in the field of housing. As I was listening to his speech, I realized that here was a picture of a government being driven by force of circumstances to do something about housing. Here was a government, whether of its own volition or against its will, that was getting deeper and deeper into the housing business. For a moment I found myself thinking in terms that I sometimes speak in, that perhaps I could, in the course of this debate, refer in complimentary terms to the government for having moved along in this direction, even though only when forced to go there by the pressure of economic circumstances. But just when I was thinking in those semi-kindly terms of the minister I heard him say that all the things that he had spoken of indicated that the government had got deeply into the housing business, but that it was the government's desire to get out of it, that they wished to have less to do with it in the future than at the present time. That is the thing that annoys me most of all about the failure of the government really to get into this business with both feet and tackle this housing problem on the basis of a public housing authority giving proper assistance to the provinces and the municipalities.

I can sometimes forgive people and I might even forgive a government for not living up to things they never heard of, to ideals that never entered their minds; but here is a government that has come right up against the stark necessity of getting into the housing business, and that necessity has found the government willing to go into it to a certain extent in the machinery they have set up from time to time. They have moved along carefully, cautiously. As the last speaker said, this amendment and previous amendments that we have had from time to time in the government's housing policy are admissions of the failure of the government's initial proposals in the field of housing. Unlike my hon. friends to my right, who never would put the government into business if they could possibly avoid it, this government has got into the housing business because of the pressure of the needs of the people of Canada, and I suggest that, whatever its political philosophy may be, it had before it and still has before it, in this housing crisis and the dire need of our Canadian people for homes, a glorious opportunity really to go somewhere in raising the standards of our Canadian people.

The minister mentioned subsidies, but said: Oh, that must not be done. We get these proposals of assistance to the life insurance companies, these proposals for double depreciation, and all kinds of suggestions for government assistance in an indirect way; yet such a direct way as subsidies to make possible low-rental housing, such a direct way as all-out assistance to cooperative organizations or assistance to the provinces, the municipalities, or to public housing authorities—these things the government comes up against, sees them as possibilities, but instead of recognizing them as ideals to be pursued, shies away from them as though there were something poisonous about them.

I was interested in reading in one of the Ottawa papers to-day an editorial referring to our sister dominion of New Zealand and

the ten-year plan which is now being presented in that country for a number of projects, including a house-building programme to be financed by the use of credit made available through the government-owned Bank of New Zealand. What interested me in that report was not just the means, the use of national credit which is to be employed, which I endorse whole-heartedly, but the whole appeal of a ten-year positive programme which looks toward many of the needs of the people. Our government, as I say, comes up against the ways and means of doing these things and then shies away from them. I hope that what the minister expressed as the desire of the government will not be realized, that they will not in the course of a year or so withdraw from such an extent as they have gone into the field of housing, but rather that as, during the past three or four years, they have been pushed by one economic circumstance and another into this field, they will go still farther, until we really have a public housing authority that is concerned, not about assistance to private lending institutions, to life insurance companies, and to private firms along the line of double depreciation, but rather with meeting the needs of the Canadian people in the actual business of providing homes.

Mr. D. G. ROSS (St. Paul's): Mr. Speaker, year after year since I have been in the house I have spoken on the subject of housing and the condition of houses in my riding in the city of Toronto, but I have never had much success, never had much sympathy from the government. Early in the war I saw what was going to happen. I remember bringing to the attention of the minister what should be done. We had big plants around the outskirts of Toronto, and at that time I suggested that we ought to have wartime housing put up there, but nothing was done about it. We had great numbers of people working in factories at De Havilland, Malton, Leaside, Dawes road and elsewhere, for whom housing was an urgent necessity. There was a great influx of people as a consequence. At the present time we find ourselves confronted with a crisis, and it is going to be difficult to do much about it. The lack of wartime housing in these places has accentuated the difficulties which we have in Toronto.

What I rose to comment upon was something said by the minister this afternoon to the effect that he had taken off the priorities in connection with certain types of building. He said he thought that was a good thing. Well, I do not think it is a good thing. What he actually did was to pass the buck to the municipalities. It is all very well to say that the city of Toronto have control as regards all the houses and other buildings to be built in Toronto, but they have not control to the same extent as the government has. The government knows what is necessary. We know we need houses.

Here is the situation. Permits for the city of Toronto are up some $2,898,000; at the end of June they stood at $7,982,000 as compared with $5,084,000. The building applications which have been received and on which construction has not been started cover 289 structures, of an estimated value of $10,067,000. What are all these? One thing the government can tell us is whether they are necessary or not. There is a plastics factory, $264,000; another factory, $125,000; and may I say it seems peculiar to me that, with all these surplus structures formerly used as war plants, it is necessary to have these new buildings. We have also another office building at $580,000; and I admit that we need office space. But there is a government warehouse at $850,000, with all these war buildings around the city going for a song. We have also a bank building, $3 million. I want as much as anybody to see a bank building put up in Toronto, but I want to see houses built first of all. Then there is another office building, $482,000. Then we have $920,000 for four theatres. All these buildings require material and workmen, and it is mainly the shortage of workmen which makes it difficult to get houses built. Yet another warehouse, $161,000. An apartment building—which we probably need—to cost $133,000. Another factory, $150,000—as I said before, with factory buildings all around the city being given away for a song. Two more factory buildings, at $350,000 and $150,000 respectively; a garage, $120,000; why? Another theatre, $140,000; yet another theatre, $115,000. There is no justification for this kind of building when people need houses to live in, and these theatres take considerable material and employ a good many men. Another factory, $140,000; an industrial building, $100,000.

The whole thing does not "add up"; that is all. What do we want more theatres for? We need houses. We want people to put those houses up, and the material which is going into theatres should be going into those houses.

I should also like to know whether these factories and theatres get priority on the wrought iron pipe which is so necessary for construction purposes. Is it to be understood that they can get plumbing fixtures, the necessary wiring, and the men to instal them when

house-builders cannot? As I say, the thing just does not add up. The city of Toronto cannot control the situation; it is a bigger job than they can be expected to handle. It is true that a certain amount of material is allocated to the metropolitan district. I speak only for the city of Toronto, but I know also that in the surrounding district quite a number of theatre buildings are going up at the present time, though we do not need them, and the people need houses.

Mr. H. R. JACKMAN (Rosedale): Mr. Speaker, I feel obliged to say a few words about these amendments to the various housing measures, because, like my colleague, the hon. member for St. Paul's (Mr. Ross), whose riding adjoins mine, my riding is in the centre of the city, and we are divided by Yonge street. My constituency is on the east side and goes over as far as the Don river, and the area contains one of the most congested districts in the city. The hardship which exists to-day, the human suffering which results from this housing shortage, is quite sufficient to make the most callous-minded individual fight to the very last for anything that can be done to alleviate this crying need for houses. Not only does it affect the ordinary individuals, but it affects a great many veterans who were away from this country for five or six years, during which interval what vacancies there were were taken up by other people, munitions workers and others, who came to this city, and when the returned men came home they found there was no place for them to lay their heads, much less provide a decent home for their wives and children.

As far as they go, the amendments which the right hon. minister has suggested are probably very good. We have not yet had very much time to analyse them, but I assume, knowing his ability along certain lines, that they are undoubtedly an aid to the solution of this great problem. The question is, do they go far enough, and will they do even half a job? As he said, last year some 47,000 dwellings were built in Canada or reconverted. But that is a very small number considering the total need for housing, when there is a deficit throughout the country of about 700,000 units. Even if we cut that in two and call it 350,000, we still have an appalling shortage of dwelling units. As the minister said, the contribution last year was not inconsiderable. But these are not high words from any minister of the crown in describing the efforts of his department, and I feel very sorry to hear him say that in the fall of this year conditions will worsen, because people who can do with makeshift accommodation during the summer months, living in summer cottages and non-weather-proofed dwellings, cannot continue to live in such places during the cold winter months.

I should like to read a few cases reported in the *Globe and Mail* as at July 3, so as to give the house some indication of how the housing shortage is affecting people in cities like Toronto. An interviewer called on the welfare department, central bureau, in Toronto where the necessitous cases are listed, and at the present time there are some 6,000 cases listed there. There is no decent place for these applicants. This is the type of case that exists:

> Shortly after the office opened yesterday, a young man came in with his wife and three children. He had been almost five years overseas, and since his return they had been living in rented rooms. But the landlord had been objectionable and eventually had forced them out. They lived briefly in a tourist cabin, but could not afford to pay $6 a night. The husband appealed for help and a room was found for them in a Mutual street house.

That is in the Moss park area of the city where conditions cannot be described as at all good. There is overcrowding and the condition of the houses is little short of shocking in many cases, because most of them are extremely old and in want of repair.

> They will remain there until more permanent accommodation can be arranged.

When that will be, no one knows. Certainly at the present rate of progress it will be a very long time, and certainly a time which can well be measured in years for the typical case. Let us take another:

> A woman brought in her two young girls. They were without a place to stay and had spent the night in an automobile. They were given accommodation.
>
> A man with lengthy overseas service asked that some help be given him in finding rooms for his family. He, his wife and two children were in two rooms. One child was required to sleep in the hall. A moment later, he was followed to the inquiry desk by a family of four. They had been living in one room. Another man reported that the landlord was trying to force him out illegally by threats and abuses. He wanted protection and help in finding a new home.
>
> The day was not an exceptionally heavy one, explained Frank Dearlove, the department's housing director. There were almost fifty inquiries from people in desperate circumstances.

These are typical of conditions in the centre of Toronto and, I dare say, typical of conditions in many of our large urban centres. If the minister were attacking this problem in a way in which we could see some relief, if not in the immediate future, at any rate within the period of a few years, I should not feel called upon to take up the time of the house. But the suggestions which he has made, while worthy

as far as they go, do not seem to me to reach the heart of the problem in any manner whatsoever.

I am interested, as I am sure the great majority of members are, in making sure that the economic system under which we operate, which we know can be extremely productive, as was proved during the war years, when we made such a notable contribution in materials and supply, shall function properly; and if there is an acute housing shortage at the present time, as there seems to be, that system cannot be said to be operating with that degree of satisfaction which the people have a right to expect. Indeed, I wonder that the people have stood for such hardships as they have had to bear through no fault of their own. They were willing and capable workers; and during the depression years, when the present government was in power, they put up with privations which I am quite sure, had I been in public life at that time, I should not have been willing to see them put up with. I should have done everything in my power, no matter what the financial cost might be, to make sure that they were given sufficient housing and food.

May I suggest to the minister that during the long period of the thirties, as he himself intimated this afternoon, there was little building going on. The building industry was starved during the depression. During the war years it was of necessity starved because we could not afford men for the building industry and for war production and we had men overseas at the same time. The result is that the building industry to-day is in decidedly low gear, and very little has been done to change gears, under any recommendations or laws which the minister has put on the statute book. Something more drastic needs to be done at the present time.

The building trades were likewise in an unsatisfactory condition. Work was exceedingly scarce. In my own riding, even in 1940, there were no less than 10,000 forced to accept relief; and on inquiry, going about the riding, one found that many of the men connected with these families were in the building industry. But there was no work for bricklayers, carpenters, plumbers, decorators, and so on. There was stagnation in the building industry, and nothing has been done since that time to arouse the industry out of that stagnation. I recall a case recently of an uncle advising his young nephew, who was about to embark on his life's career. The uncle had been a carpenter and he warned the nephew against going into the building trade. He said, "Don't become a carpenter; the work is too unsteady. See what happened to me during the depression. There is no assurance that work will be provided for a period of years." The result is that no young man will go into the industry in view of the hardships which those who were in the industry had to endure during the depression years.

Something should be done to make certain that the building industry, which is, of course, in this country a seasonal one, is put on a firmer basis than it has ever known; otherwise we are not likely to recruit enough young men to fill up the vacancies in the trade. And we must fill up those vacancies if we are to get on with the job.

Another problem to which I wish the minister would give some consideration, because it certainly calls for a solution as far as the long-range approach is concerned, is this: Even in the more prosperous days when workmen were steadily employed they did not find that they could afford to buy houses for themselves. One of the best reasons I have heard given for that is that, owing to the fact that the building trade is a seasonal one and the number of working days relatively short out of the total year, the rate of wages is of necessity high in order that the building tradesmen may get enough to live on during the entire year. If the rate of pay is high, then the ordinary workman who gets perhaps half or three-quarters as much per hour cannot afford to buy the product of the better rate paid building tradesmen. Some study should be given to this problem so that the ordinary workman may exchange his work for that of the building tradesman.

During the war other industries took from the building trades and the building supply industries all the available workmen they could get in order to build aeroplanes and to turn out the other necessary munitions of war. When the wage freezing order came into effect most of the workmen who were engaged in the building trades, such as brickmakers and others engaged in the building supply industry, had their wages frozen at low levels, whereas those who went into the war industries received new levels of wages, because higher wages were necessary to attract people from one industry to another. There have been some slight modifications of the low wages paid to some of these people in the building industries, but not enough really to attract a sufficient number of men into the building trades and the building supply industries to get these industries going at a rate which is necessary if we are to solve this problem.

May I point out that there are other industries in Canada, valuable industries, some of which are engaged in the export end of our economy, and which bring in valuable United States dollars. I refer in particular to the newsprint industry which has greatly expanded its production during recent years. In a clipping from a newspaper I find the following:

With Canadian newsprint mills operating at 92·8 per cent of capacity in March, compared with 92·8 in the previous months and 70·2 per cent in March, 1945, newsprint production expanded to a new high level, according to figures released by the Newsprint Association of Canada.

Further on, it has this to say:

This brought production in the first three months of 1946 to 970,923 tons compared with 768,203 in the first quarter of 1945, an increase of 26·4 per cent.

That is splendid increase, a splendid contribution to the Canadian economy and to the bringing in of needed United States exchange, but I do not think the newsprint industry should be given a priority of that kind. The industry was not badly treated during the war. The newspapers had adequate supplies of newsprint, particularly when one compares them with other countries, not the United States, but overseas countries and I do not think any of us suffered because of the size of our newspapers. The point I am making is that the same men who cut down the trees which are ground into pulp to become newsprint could also be used to cut down trees to make more lumber to help in the building of our houses. I believe that the government is derelict in its duty in allowing an industry of this kind, valuable as it is, to expand to a considerable extent when a great deal of the manpower required to turn out the raw product could be used to turn out more lumber, which is badly needed. I should be glad if the minister would point out any flaw in this argument, because it seems relatively simple to me. In most of the areas, not all, where wood pulp is found there are also trees which are also suitable for lumber, and the same lumberjacks could do the same job in cutting down the larger trees as they could in cutting down small trees for newsprint.

From my observations I believe that the effect of the income tax is a bad one so far as getting houses built is concerned. We find that building tradesmen will not work more more than a five-day week; certainly they will not work on Saturday mornings or afternoons because they get into overtime and into a higher income tax bracket. I believe that is one of the reasons why we have not as many man hours in the building industry as we should have. It would not be asking too much if I asked for the sympathy of the minister in this regard. I hope that he will endeavour to bring some influence on his colleague, the Minister of Finance (Mr. Ilsley) and point out to him that we are not getting the maximum output from our present supply of building tradesmen that we might get, and goodness knows the supply of building tradesmen is scanty enough. The exemptions for income tax purposes of $750 for single men, and $1,500 for married men under the new provisions are not adequate to have a carpenter, a plumber or a bricklayer do his utmost to get houses built because the incentive is taken away from him.

The effect of the corporation tax is also not conducive to the greatest efforts in regard to building. Then salary controls enter into the picture. We have an industry which I have endeavoured to show has been in low gear for at least a decade, and the men connected with it who are employed by building companies were on a low salary scale because the industry could not afford them an adequate return or one which would ordinarily be considered fair. From my observations there is no doubt that if some of these men were allowed to get more, greater production would result, and what is more important, more men of executive capacity, foremen and up, would be induced to come into the building industry.

The minister has pointed out that double depreciation is available to certain of the building supply companies. That is a help. I believe he is not only on the right track but that he should do more along these lines for the next five years until we get over the hump in the building shortage.

I understand that under the Wyatt plan in the United States the building supply companies which exceed their production of the previous year are given a bonus on that additional production in order to stimulate them to work overtime and to think out plans at night to get production going in the best possible way.

I should like to ask the minister what happened to the appropriation which was mentioned by one of his departments two years ago under which a certain sum was set aside for the buying en masse of household utilities such as bathtubs. A supplier would be given an order for five thousand, and he could go ahead with the job, rather than be given an order for a few dozen of this type or that type of bathtub and not be able to get a real line of production going. There was an appropriation along these lines, but I have not heard anything about it for a long time. If more government assistance of that type is required

it should be forthcoming, because it is the duty of the government to make the present system operate so that our people will not suffer from the acute housing shortage.

Another matter to which I should like to direct the minister's attention is the price ceiling on builders' supplies. Builders of Toronto tell me that they can get some supplies but not others. There is an acute shortage of some vital part because the manufacturer finds he can get some return on his investment if he makes X parts but cannot get any return on his Y parts, so that he concentrates on the X parts. Consequently these shortages and bottlenecks occur in the building supplies industry. The present price ceiling system has also given rise to black markets in the lumber trade. There are certainly black markets, and there are evasions which may not quite infringe the law but which come very close to doing so. These all make for needless work and difficulties in obtaining the necessary materials to go ahead.

I wish to bring to the attention of the minister another matter which certainly many hon. members might not consider to be politically expedient for anyone to mention, but it is this. In order to build houses, someone must put up the capital required. The man who does this naturally expects at least some return on his money; yet we find that under the rental freezing order of October, 1941, all rentals were fixed at the level then prevailing. If the dwelling unit had not been rented at that time a new rental was fixed which in most cases was substantially higher for the floor space involved. Let me give an example so that the house will understand precisely what I am aiming at. In some of the higher class residential districts of the city will be found apartments consisting of three rooms with kitchen or kitchenette and bath, available for $45 and $55 a month, which is a very low rate considering the residential area in which they are located. Then, in the poorer districts will be found dwelling units which were not rented prior to the freezing order—if I may describe what I came across as a dwelling unit. A veteran and his wife paid $30 a month for one room and the joint use of a kitchen. Compare that with the well-to-do person in the high-class apartment, and there is no fair relationship whatever. I am suggesting to the minister that inasmuch as landlords' costs have also gone up, some slight alleviation should be allowed, even though it be only five or ten per cent on the basic rentals under the freezing order. Otherwise those who have their capital invested in commitments of this kind find they are not getting any return. The increased cost of supplies, janitor service and so on is eating heavily into their rentals; and landlords, or those who might become landlords, are not encouraged to put their money into buildings.

I would also point out to the minister that while some of the suggestions I have made might result in higher costs, since they include higher wages to attract men into the building industry, and since in order to speed up the production of building supplies these tradesmen may have to get more, that is not necessarily the whole picture. We do not want the veteran particularly, or for that matter anyone, to acquire a house at the present time at an inflated level. Therefore I suggest that in addition to the financial measures the minister mentioned this afternoon the government might well give consideration to a further cut in the interest rate on the loans which go to finance these dwelling units. If the rate were cut to perhaps three per cent the minister would find that over a long period of years during which the cost of the house is amortized, with the lower interest cost which bulks as a large part of the total, the monthly cost to the purchaser would be substantially reduced.

I want the minister and the government to look upon the housing crisis at the present time just as they looked upon the war emergency. If it were a question of making tanks or aeroplanes or bombs to beat Hitler, with the ability the right hon. minister showed during the war—and, may I say, with an unlimited pocketbook—we must forget some of these financial considerations to some extent until we get over this crisis—if he would look upon this housing crisis as an emergency I have no doubt he would find the men and materials in fairly short order to solve the problem which faces our people at the present time. If he will go and meet the people who are up against it he will realize that this problem constitutes a crisis of the first order. Therefore I suggest, sir, that the proposals made by the minister this afternoon are not adequate; they are not of a sufficiently long-term nature really to solve this crisis. I suggest further that the government is not giving the forceful, immediate leadership required if we are to have any solution of this problem in the next one or two or three years. To wait five or ten years is to wait too long.

Motion agreed to and the house went into committee, Mr. Macdonald (Brantford City) in the chair.

Mr. FLEMING: There are some questions I should like to ask the Minister of Reconstruction and Supply. First, in the target of

60,000 houses which he set for the current fiscal year, he did not indicate how that was broken down among the various agencies, private enterprise, Wartime Housing Limited, Housing Enterprises Limited, and so on, except that he gave a figure of 3,400 as the programme for Housing Enterprises Limited for the calendar year. Would the minister be good enough to indicate how the 60,000 figure is broken down, according to the estimates of the department? I might point out that when the minister gave his estimate last fall it was broken down in that way.

Mr. HOWE: I am sorry I have not before me a copy of my own figures; but, as I recall it, about 15,000 are under construction at the present time under one or other of the government-assisted plans and subject to priority. The other 45,000 are being built privately, without government assistance. I think that is about the proportion.

Mr. FLEMING: May we take it, then, that about 11,000 or 11,500 are to be built under government assistance other than Housing Enterprises Limited?

Mr. HOWE: Yes, at least that number; I would think more.

Mr. FLEMING: Of those to be built by Wartime Housing Limited, is the minister in a position to indicate how many are being constructed with cellars and how many without?

Mr. HOWE: I believe there are only three or four projects with full basements, of which three are in the city of Toronto and one in the city of Ottawa. The basement adds $7 a month to the rent, and there are not many cities that want to pay the extra cost. Wartime Housing Limited is just as willing to build a basement under a house as not, provided that it can get a return on the investment.

Mr. FLEMING: I do not wish to monopolize the floor, Mr. Chairman, because these questions are not interrelated, but if no one else has any questions to ask, perhaps I might continue. As to the figure the minister gave this afternoon of completed houses, is the committee to understand that those are houses completed and occupied?

Mr. HOWE: Yes.

Mr. FLEMING: Sometimes there is some misunderstanding as to what the completion of a house consists of. May we take it that these are houses completed and occupied?

Mr. HOWE: Yes.

Mr. FLEMING: And that figure of 46,900 includes reconversions?

Mr. HOWE: Yes, though I believe the reconversion figures for 1946 are very small. I think the figures I gave are practically all those of Wartime Housing Limited, which at that time had not been handling reconversions. According to this schedule, the house must be completed in every particular and the lag between the report of full completion and occupancy is seldom more than a day or two.

Mr. FLEMING: Is the government keeping any statistics of houses occupied? I asked some questions a while ago, and the answers seemed to indicate that the government is not keeping any statistics of actual occupation. The estimates of completion do not necessarily take account of occupation.

Mr. HOWE: Every week a report is put on my desk showing the position of each project in each locality, the number of houses completed and the number of houses occupied. I have been interested in observing that the lag between houses completed and houses occupied is quite small. We have full statistics and I shall be glad to bring them.

Mr. FLEMING: This afternoon the minister referred to priorities as regards veterans' housing and the reduction in the requirements as to progress from seventy-five to fifty per cent under a recent order. What additional priorities are in effect besides that type of priority and those which exist in connection with Wartime Housing Limited and Housing Enterprises Limited?

Mr. HOWE: There are the priorities in connection with integrated housing where a contractor proceeds under a government plan with a guaranteed selling price. There is a guarantee by the government that if he does not sell the house the government will buy it at the predetermined price.

Mr. FLEMING: What degree of cooperation has existed between the Department of Reconstruction and Supply and wartime prices and trade board with respect to the fixing of prices for materials? As the hon. member for Rosedale indicated to-night, this matter of price ceilings on building materials has been a thorny subject. I need not remind the minister that a great many producers have been complaining bitterly about the domestic ceilings on building products and have indicated that they prefer to send more of their products abroad where the prices yielded to them are not under ceilings. I should like to know what cooperation there is between the minister's department and the prices board, because to many people it seems that there is a divergence of policy between them.

Mr. HOWE: Wartime prices and trade board and the Department of Reconstruction and Supply work very closely together. I mentioned this afternoon that the building coordination is handled by a committee of which the director of priorities in the department of reconstruction is a member, of which the corresponding officer in the wartime prices and trade board is a member and of which the coordinator of housing is the third member. A great deal has been said in this house about pricing interfering with production, but I have never known of a concrete case and I think I am closer to the industrial life of this country than anyone in this house, or perhaps anyone outside the house. I wish someone would give me a concrete case where price ceilings have limited production.

Mr. MERRITT: It does not encourage greater production.

Mr. HOWE: Surely with his great knowledge of this business the hon. member will be able to tell me of one case.

Mr. MERRITT: I can give one case just offhand in British Columbia in connection with the making of lath. The profit in making lath is not as great as that to be made in producing other types of lumber, so that there is a shortage of lath and a black market has been growing up in Vancouver.

Mr. HOWE: Does the hon. member know of any lumber operator who is not producing all the lumber he can?

Mr. MERRITT: I know of no lumber operator who is not producing all the lumber he can, but I know of a large number of lumber operators who are making their cuts according to the different types of lumber on which they can make the most money.

Mr. HOWE: Is there anything wrong with that?

Mr. MERRITT: They are not producing other types of lumber which may be equally necessary in the construction of homes but which it is not economical to produce. As a general example, I would refer to a recent situation which has been created by a change in the price of logs and in the Canadian export quota of lumber. Certain mill owners would find it actually more profitable to sell what logs they have on hand at the higher price rather than to manufacture them into lumber.

Mr. HOWE: What would the man who bought the logs manufacture? Can my hon. friend tell me of a case where production is being curtailed by unbalanced prices?

[Mr. Fleming.]

Mr. MERRITT: If the minister will not interrupt me I shall complete what I was going to say. Under this new regulation we have the interesting situation where there is a price ceiling on lumber and no price ceiling on logs. A $6 increase in the price of logs would make it possible for the mill owner to sell what logs he had on hand and make a better profit than if he manufactured those logs in his mill and sold the product on the open market. I do not say that the mill owners are going to do that, because obviously they have their good will to obtain and must keep their mills going. They are not going to go out of business. I am not saying that the price ceiling is likely to reduce materially the present level of production, but the way the present system of price control has worked it will prevent any great increase in production to meet this emergency.

Mr. HOWE: I would point out to my hon. friend that never in the history of Canada has there been such an increase in the production in every line that is occurring from day to day. If he has followed the increase in the production of building materials during the last six months he will find that there has been nothing like it in the history of Canada. It is all very well to make sweeping statements that are reminiscent of the old days to which the hon. member who recently spoke is quite fond of referring, but it is another thing to give one specific example of curtailment of production which has been due to failure to get a fair price from the wartime prices and trade board.

Mr. MERRITT: I was speaking only on the spur of the moment.

Mr. HOWE: I did not hear one example in my hon. friend's statement of an over-all lack of production. A man may buy logs from an operator who would rather sell his logs, but he must make them into lumber. I do not know what else he could do with them because he is not allowed to export them. I do not think it makes any great difference whether the first or the second man makes them into lumber.

Mr. JOHNSTON: Would that be true in connection with the manufacture of hardwood?

Mr. HOWE: As far as I know.

Mr. JOHNSTON: I was told by the manager of one of the largest lumber companies in the west that he was informed by the mills from which he was getting lumber that they were not going to produce any more

hardwood flooring until they got a higher price and until the excess profits tax was taken off.

Mr. HOWE: I never heard of it. The production of hardwood flooring is quite satisfactory. It was down a few months ago but it is much better to-day. I know of no particular hold-up in hardwood flooring.

Mr. JOHNSTON: They tell me in Calgary that there is absolutely no $\frac{13}{16}$ oak flooring coming in at all, and there has not been any for nearly a year.

Mr. HOWE: Will my hon. friend tell me where $\frac{13}{16}$ oak flooring is produced in this country?

Mr. JOHNSTON: I am asking the minister if that is true in the case of oak flooring?

Mr. HOWE: Oak is imported. I do not know of any oak trees in this country.

Mr. GREEN: I have three or four questions to ask the minister. In his statement this afternoon he said on several occasions that he was trying to help private enterprise in every way possible to develop this building programme; that he relied on private enterprise primarily for the building of homes in Canada. I think in that he was quite sound, and that when this crisis is all over it will be found that the vast majority of the homes built have been built by private enterprise. But is there not a danger that the priorities in supplies as now set will greatly discourage the private builder? For example, the minister pointed out this afternoon that there is a priority for Wartime Housing Limited and I think he said also for Housing Enterprises Limited, and of course also for homes being built under the Veterans Land Act. The result of all that is that in Vancouver the private builder is under a great handicap in getting materials. There are perhaps hundreds of houses there that are not being completed because the builder cannot get the materials he requires. Is there not some way in which the priorities can be changed so that there will be a more even distribution of the supplies?

The minister said that later in the year he hoped to change these priorities so that the private builder could get more material than he is getting now. I think the present plan is working a hardship on the small builder. Take, for example, the small lumber yard. I know of several that have been closed up, practically put out of business. Whether that will be their permanent condition or not I do not know.

Mr. HOWE: Give me the names of one or two.

Mr. GREEN: I was told that by one of them when I was in Vancouver a couple of weeks ago.

Mr. HOWE: The retail lumber yards have never made as much money in their history as they have in the last year. I cannot imagine why they would close down.

Mr. GREEN: If the minister checks he will find that many retail lumber yards in Vancouver are doing practically no business at all, that they are practically out of business.

On the question of priorities, I think there should be a change made if we are to bring about the result we are all after, which is more completed houses. At the present time there are hundreds of houses that are only half built.

Mr. HOWE: The government gives priority to Wartime Housing Limited, to Housing Enterprises Limited and to integrated housing.

Mr. GREEN: The integrated business is a very small part.

Mr. HOWE: No, it is a very big thing. Any contractor building a group of houses can qualify for integrated housing, if he will limit the selling price of his house to a spread which the government considers fair. In return he gets a guarantee that if he cannot sell the house at the price agreed upon, the government will buy it from him. If he will accept that profit limitation, he can get priority. He must also accept the restriction that he will sell only to a veteran of the last war. If he will do that any contractor can come under the integrated housing plan and get the priorities under P.O.11.

Mr. GREEN: How many men have done that in Canada?

Mr. HOWE: I think between 4,000 and 5,000 houses are being built under that plan.

Mr. GREEN: By how many contractors?

Mr. HOWE. A great number of contractors. A contractor will put up perhaps twenty-five to fifty houses, and there are about 4,000 of these houses. It is a common method of operating. But of course a good many contractors will say: I will not take $300 to build a house; I want $1,000 or $1,500. If they do, they are on their own and do not get the priorities. Some of them do not like the restriction as to selling to a veteran. They want to sell to whom they like, and therefore they do not qualify. But I think the amount of material that is under priority is not sufficient to handicap greatly a man who has no priority.

Of course, if everybody had priority it would not be any good at all. It would be just like extending the civil service preference now applicable to veterans to everybody.

Mr. GREEN: I did not suggest that.

Mr. HOWE: No, I know my hon. friend did not, but I am simply pointing out that if everybody got priorities there would be no priorities. We are attempting to assist a class of people whose building will be most beneficial to the returned man; in other words, those who are putting up low-rental housing or housing to be sold with a profit limitation, all of which are for veterans exclusively. For these types of housing we do give a priority. They probably amount to twenty-five per cent of all the houses being built.

Mr. GREEN: Conditions may be different in different cities; I have no doubt they are, but I am sure most veterans would go to a contractor to have a home built. If they did that, they would not get the help of these priorities?

Mr. HOWE: Not unless the contractor was under the integrated plan.

Mr. GREEN: I can quite understand that many contractors do not want to be tied up with all the red tape involved in dealing with governmental authority, making all these returns, having inspections, and so on. Has the minister any plan in mind for changing the priorities later this year? I think he said something to that effect this afternoon.

Mr. HOWE: We have one other type of priority which I have mentioned before. That is, if a veteran goes ahead and makes his own arrangements, starts a house, gets it seventy-five per cent completed, and needs only certain materials to finish it which do not amount to more than twenty-five per cent of the cost of the house, he is placed under a priority for these items. I said that we hoped to lower the contents which would permit us to give priorities for the remainder, and we have now lowered that amount to fifty per cent. If a veteran has his house framed, and with a roof on, we will give him priorities for all material that he needs from there on. The reason we require him to have a substantial investment in the house, if he is proceeding on his own, outside any government plan is that we know from experience that every house that is started will be started by a veteran, and we want to make sure that it is bona fide owned by a veteran.

Mr. GREEN: I would suggest that the minister have his department look into this priority question again.

[Mr. Howe.]

My second point has to do with allotments of building materials. I understood the minister to say this afternoon that there are quotas for different towns, the idea being that Vancouver would get her share, Halifax her share, Ottawa her share, and so on. That, I think, is quite fair. But is there any plan for ensuring a fair distribution between contractors within the same area, say within the city of Ottawa?

Mr. HOWE: Contractors buy from dealers, and all we can do is assure reasonable distribution among dealers and a reasonable distribution between one area and another.

Mr. GREEN: What does the minister mean by "fair distribution among dealers"? How high up are they; that is, how far away from the ultimate buyer?

Mr. HOWE: The dealers?

Mr. GREEN: Yes.

Mr. HOWE: The lumber we work as of a certain date. If the sales of a yard in the trial period were a certain amount they would be increased proportionately if more material is available, and reduced proportionately if less material is available.

Mr. GREEN: Is there any plan whereby, say a lumber yard in Vancouver gets a certain proportion of the lumber available for that area?

Mr. HOWE: Yes; if he was in business in the trial period, which I believe was 1941, the allocation would be based on the amount allocated to him in 1941.

Mr. GREEN: Who does that allotting?

Mr. HOWE: The wartime prices and trade board.

Mr. GREEN: I am quite sure that that system is not working out in that way now in Vancouver. There is supposed to be an allotment among dealers in proportion to the supplies they were buying in 1941?

Mr. HOWE: Yes.

Mr. GREEN: Would the minister have that checked?

Mr. HOWE: Would the hon. member have it checked? It is easier for him than for me. I have to check the whole country.

Mr. GREEN: The information I have is that it is not being done. I realize that it is the wartime prices and trade board that is to blame, perhaps, that it is not the Minister of Reconstruction, but I suggest that he find out just what is wrong in that regard.

The third question has to do with the types of houses. The other day in the special committee on veterans affairs Mr. Van Norman, an architect who has just returned from Great Britain, gave evidence in which he explained that over there they had worked out types of houses which could be put up most economically as regards both price and material. Is anything of that sort being done in Canada? It may be that we shall have to adopt some new type of house in order to meet the requirements; is any planning of that type being done in the provinces or here at Ottawa?

Mr. HOWE: Well, the planning of wartime houses has been under constant study and review from the day the first house was built. I think we have been exceedingly fortunate in the types of plan we have chosen for wartime housing. I think the Vancouver house has been altered six times, each time an improvement at lower cost. The hon. member speaks of Mr. Van Norman, the architect. Mr. Van Norman is one of the architects engaged in veterans housing.

Mr. GREEN: I do not mean, on the government projects; I mean, for ordinary building. Most of the homes in Canada are going to be built by private builders. Has anything been done to help find a standard type of house for them which can be built, perhaps, a good deal cheaper than houses are built now, and with less material? Mr. Van Norman explained to us how in Great Britain they have it worked out so that they have a standard cut of lumber, for example, which can be used in many different houses and brings about a great saving. Is there any branch under the minister which does planning of that type, that is, trying to work out a more up-to-date house for the Canadian people?

Mr. HOWE: Yes. The national research council have an active department. They have put out interesting publications; in fact I think they have a monthly publication which shows suggested improvements in housing. We have in Canada two or three pre-cut designs which are available to builders if they wish. Of course a pre-cut design is valuable only if a great number of units are to be built from the same design. The private builder is usually trying to carry out the wishes of his prospective purchaser rather than to work on a pre-designed plan. So that I think the pre-designed planning is confined largely to government agencies. But it is available to anyone who cares to use it.

Mr. GREEN: Mr. Van Norman said, if I remember correctly, that we are still building the type of house that we had a hundred years ago, that the fundamental plan for a house in Canada is the same now as it was many years ago, that we are not really as up to date with houses as we might be.

The final question has to do with the price of lumber, about which there was some discussion a few minutes ago. Why is it that there is a ceiling retained on lumber when the ceiling was taken off logs? As I understand it, there is now no ceiling at all on the price of logs, whereas it has been kept on lumber. I cannot understand just why it has been worked out in that way, because I am told by different people who are in the business, and who are entirely reliable and know what they are talking about, that in some cases the logs are worth more than the lumber. They are able to make up for that to a degree by selling a portion of their production in the export market; that is the way they have been getting around the trouble. But what consideration has been given to lifting the ceiling on lumber? We are told that lumber is really a capital expenditure, not like the purchase of food or clothing, and there is quite a strong feeling that there would be far more lumber produced if the ceiling were lifted. I do not know whether that is correct or not: the minister has his own officials who, I have no doubt, have gone into this question carefully. But would he explain the position to us?

Mr. HOWE: My hon. friend advocates the lifting of the ceiling on lumber.

Mr. GREEN: Now just a minute: I did not advocate it. I am asking the minister a question.

Mr. HOWE: What the effect would be?

Mr. GREEN: What the department thinks about lifting the ceiling on lumber.

Mr. HOWE: The price would go up around $20 a thousand, at least fifty per cent. If the ceiling were lifted, the price of a house would go up perhaps $600 to $1,000.

Mr. GREEN: They say it might go up $100 or $200.

Mr. HOWE: It would go up much more than that if the increase in price is what I think it would be. Lumber is being sold freely for export at $15 to $20 a thousand more than it is being sold for in the domestic market.

The reason that we took the ceiling off logs was that we are not particularly interested in the price of logs. Logs are not a consumer article. The finished lumber is the consumer article. Frankly, it was reported to me that

there was such a black market in logs that the ceiling meant very little in any event, the buyers being the mills. We can control the price of finished lumber, and we do that exactly in the same way that there is no ceiling on beef cattle; there is a ceiling on beef. It is quite usual in price control to put the control on the finished article.

Mr. GREEN: There is one very unfair feature about it, and that is that the big company which produces logs and also cuts lumber has an advantage over the small sawmill which has to buy the logs at a high price and then sell the lumber under a ceiling price; that may very well drive some of the small sawmills in our province out of business.

Mr. HOWE: Unless the logs are bought and sawn into lumber the price of logs will not be quite so high.

Mr. GREEN: But the big man has his own logs; he does not have to buy logs.

Mr. HOWE: But somebody pays these excessive prices for logs.

Mr. KNOWLES: I should like to ask the minister a few questions bearing directly on the resolution before us. First of all, with respect to section 1 of the resolution, may I ask if all matters relating to housing, except the matters coming under the Minister of Veterans Affairs, are now under the Minister of Reconstruction and Supply?

Mr. HOWE: Yes.

Mr. KNOWLES: What about the orders in council relating to rent control and things of that nature? Are they still under the Minister of Finance, or have they been transferred to the Minister of Reconstruction and Supply?

Mr. HOWE: Rent control is under the wartime prices and trade board. That has to do with housing, though not of the type that we deal with.

Mr. KNOWLES: With reference to section 2 of the resolution, may I ask whether the provision in the bill, foreshadowed by this section, clearly holds it to such cases as the minister pointed out? He referred to land in the national parks as an example covered by this section. Or does it provide for limited-dividend corporations building homes on property they merely lease rather than own outright?

Mr. HOWE: I can hardly imagine a government agency lending money on houses where the control of the land is not permanently in the government. It could do it in the parks, because the control of park lands is in the hands of the government, but I cannot imagine a corporation lending money to build houses on land merely leased from a private citizen.

Mr. KNOWLES: I could hardly imagine it either, but I felt that I ought to make sure of the point in view of the language of this section, which refers to the making of loans for the construction of homes for home owners who have only a leasehold interest in the land upon which the home is to be built. However, since the minister satisfies me on that point, that is fine.

With respect to section 4, which has to do with the integrated housing matter, is this the only case where the government agrees to buy back homes after a certain stipulated period of time?

Mr. HOWE: Yes. The integrated housing plan is the only plan under which the government takes an interest in the building of houses for sale.

Mr. KNOWLES: May I now jump to section 6 and ask whether it has to do only with the management of homes that come to the government under the operation of section 4, or is it wider than that?

Mr. HOWE: That includes houses which might be acquired under the integrated housing plan or houses which might be acquired by foreclosure under mortgage. Houses, however acquired, would be managed under the provisions of article 6.

Mr. KNOWLES: One other question. There are really two, but one of them had better wait until we get the bill, namely, what the provisions are under section 7. Under section 5, however, would the minister indicate in what way these loans to mining and lumber companies will make for the provision of moderate costing houses? Merely to provide a loan does not ensure that these houses will be in that range. Will the minister indicate what special provisions attach to the loans or under what section of existing legislation they come?

Mr. HOWE: Section 5 simply covers the objective. I suggest to my hon. friend that the means by which the objective is attained would be more properly discussed under the bill when the details are presented.

Mr. KNOWLES: That is fine. We shall do so.

Mr. FLEMING: May I come back to the last question I asked the minister a few minutes ago and his answer to it. Are we to take it that the minister and his department are in

touch, through the arrangement he mentioned, with the prices of all building materials and that they keep a check upon them?

Mr. HOWE: Very much so.

Mr. FLEMING: In deciding whether the price is fair, reasonable and adequate, does the department or the committee to which the minister has referred take account of the profit made by producers in the export market, and of the differential between prices in the export market and those prevailing in the domestic market?

Mr. HOWE: It is the over-all profit that guides the wartime prices and trade board in fixing the price for that portion of the product which is sold in the domestic market. Very few building materials are allowed to enter the export market. In the case of lumber, forty-five per cent of all lumber goes into the export market, and the price of that lumber in that market is the reason why the domestic price can be kept at cost and sometimes below cost. In other words, the over-all profit position of the lumber producer is satisfactory.

Mr. FLEMING: Not long ago the minister appointed a coordinator of housing, Mr. Flahiff. Will the minister indicate this gentleman's precise duties, especially in relation to the expedition of construction materials, and how his duties relate to those of Mr. Mansur, president of Central Mortgage and Housing corporation?

Mr. HOWE: Mr. Mansur is president of Central Mortgage and Housing Corporation and is responsible for policy in the field of housing. Mr. Flahiff's position is that of coordinator of housing. It is his duty to coordinate all agencies having to do with the production of houses. For example, Mr. Flahiff is in touch with the director of priorities in his branch and in touch with wartime prices in matters where price enters into housing, and generally he coordinates all the separate branches that work with Central Mortgage and Housing Corporation in the field of housing.

Mr. FLEMING: This afternoon the minister said that the government will help the producers of building materials to meet their cost. I believe he was speaking with relation to the means of expanding their production. Will he elaborate that statement in some detail. In that connection, he mentioned the double depreciation allowance made against taxes. Will he amplify that?

Mr. HOWE: I would need to have an official with me to make such statements correctly. We have offered inducements to builders to expand production, but I would not care to say from memory what the inducements were. However, I shall be glad to answer my hon. friend when the bill is being discussed and the officials are here to give information.

Mr. FLEMING: The minister referred more than once to-day to the report which was furnished to him by the special committee of the Canadian construction association who advised him with regard to bottlenecks in connection with building materials. Will he table that report so that it may be available for the information of the house?

Mr. HOWE: There was a series of reports. There was a separate report on materials. I shall be glad to take the question under advisement. At the moment I can think of no reason why it should not be tabled, but I shall examine into the situation and give my hon. friend a reply to-morrow.

Mr. FLEMING: This afternoon the minister referred to the arrangements made with the university of Toronto with reference to the occupation of Ajax and the buildings there. Is any of the housing accommodation at Ajax still retained for the use of any of the former workmen or any workmen engaged in the vicinity? My understanding is that all the housing accommodation did not go to the university; some of it was retained.

Mr. HOWE: As I remember it, Ajax is made up of some four or five hundred wartime houses and certain other facilities besides the former shell-filling plant. Many of the houses are rented to former employees of Ajax. In other words, the lease to the university of Toronto did not include the wartime housing development which is still administered by Wartime Housing. As houses become vacant, they are reserved for returned men attending the university of Toronto, but there have been no evictions of former tenants. Therefore I presume the majority of the inhabitants are former tenants who worked in the war plant.

Mr. FLEMING: When we have the bill before us and the minister brings down this additional information will he also give us a detailed breakdown of the 60,000 target for this year? He indicated earlier that he did not have the figures. I think the committee would be interested in having the precise breakdown between private enterprise and the various government agencies.

Mr. HOWE: Yes.

Mr. JACKMAN: Would the minister be good enough to give an answer to the sug-

gestion I made? In view of the substantial increase in the export of newsprint, the labour involved in creating that newsprint might well be put to use in increasing the supply of lumber for the building industry.

Mr. HOWE: Would my hon. friend expand that suggestion? How could it be done?

Mr. JACKMAN: A little while ago the minister said that persons on this side of the house, probably myself as much as anyone, made sweeping statements. Here we have companies engaged in the newsprint business and in lumbering, sometimes the same company. Certainly in the same areas there are trees which are suitable for lumber and trees which are suitable for newsprint. The same lumberjacks who cut down the small trees, the products of which go over to the United States to enlarge the newspapers there which are already of ample size, might well be used for felling trees which would go to the making of lumber for houses which we are so much interested in at the present time. I do not think it needs any more explanation than that. I quite realize that newsprint machines are still not operating at 100 per cent capacity, but they are operating about as high as they ever get. What I am more concerned in is the use of man-power in the woods in the cutting down of spruce trees for pulpwood at a time when the same men might be used, sometimes in almost exactly the same areas, for the cutting down of trees for lumber.

Mr. HOWE: Let us assume for the moment that I agree with my hon. friend. How would it be brought about? Since he made the suggestion he should follow it through and help save us a lot of worry.

Mr. JACKMAN: It is not very often that the minister asks for suggestions, and I do not know that he has the right to ask us how he is to administer his department. Much as I dislike controls—much more than the minister does himself—it seems to me that to a large extent we are in a controlled economy; and while we have an emergency such as this one —and if the minister knew more about actual cases he would feel it more deeply—I believe that if necessary he should say, you shall do this and you shall do that in this particular regard until we are over the hump in the housing crisis. I believe the minister has all the power that he needs, and if he does not have it this house would give him the necessary power to see that fairness is done. For the time being, I am more interested in food, clothing and shelter for our people than I am in building up our exports, valuable as they are at the present time. I suggest that the minister is quite able to do what I suggest, and he knows the means much better than I do because he uses this power every day of his life.

Mr. GIBSON (Comox-Alberni): Is lumber the limiting factor?

Mr. HOWE: I take it that the hon. member for Rosedale wants us to go back to the war period and direct labour to certain operations.

Mr. JACKMAN: If the minister has not enough regard for the people of this country to see that there are roofs over their heads—if he came to Toronto and saw some of the cases he would understand what I mean— if he prefers to let these people continue as they are at the present time than to have the products of our woods sent to the United States in the form of newsprint then I think it is time we had a change of government.

Mr. ST. LAURENT: You have thought that for a long time, but it has not done you much good so far.

Mr. JACKMAN: The people of Rosedale thought a change of government was desirable.

Mr. MACKENZIE: A magnificent fellow.

Mr. FRASER: In reply to a question of the hon. member for Vancouver South regarding veterans priorities the minister said that the veteran had to have the building only fifty per cent completed at the present time to get priorities for the remainder. Does that cover priorities on plumbing? I understood that they had to have the building seventy-five per cent completed to get priority on plumbing.

Mr. HOWE: That has been changed.

Mr. FRASER: I am glad to hear it.

Mr. GIBSON (Comox-Alberni): Is the production of lumber the limiting factor in the construction of houses in Canada, or is it plumbing fixtures, electrical supplies and so on? I do not believe it is due entirely to shortage of lumber.

Mr. HOWE: No; lumber is hard to get, but certainly if fifty per cent or thirty per cent of the lumber went into housing we would have too much lumber for housing. In other words, a comparatively small part of our lumber cut is absorbed by housing, and it is not the limiting factor. I know of no cases where shortage of lumber has limited the production of houses.

Mr. JOHNSTON: That would probably be true of the rough lumber. But what about doors and finished lumber, plumbing, and things like that? Would that not be a limiting factor? There never was much difficulty with regard to the dimension stuff.

Mr. HOWE: No. There is little difficulty with it at the moment. There is no great difficulty with doors, but there is great difficulty in brass pipe. Our production gets out of step, but roughly it has marched together, and roughly it has improved in all directions. The finish is very much improved. We have taken one big aeroplane plant which was formerly making prefabricated houses and is now making trim. Gradually we are bringing up the spots that get out of step, but they will never be perfectly balanced. In other words, all the items which go into a house will not be in perfect balance but they are getting more that way every day.

Mr. JOHNSTON: Does this new set-up contemplate taking over the construction of Veterans Land Act houses from now on?

Mr. HOWE: No.

Mr. JOHNSTON: I want to know that because I should like to discuss it when the estimates of the Minister of Veterans Affairs are before the committee. I do not want to miss that opportunity. I notice that paragraph 4 of the resolution refers to what I believe to be a new venture. Under this paragraph the Department of Reconstruction is to finance these houses; at least the contractor is going to build them and offer them for sale. If he cannot sell them the government comes into the picture. Is that a new departure?

Mr. HOWE: No; it has been in force for nearly a year.

Mr. KNOWLES: By order in council.

Mr. HOWE: By order in council. It has been working very well. The government has not yet had to buy a house and probably never will. The cost limitation, which is a condition of entering the agreement, has been very valuable to the veteran who is the purchaser of the house.

Mr. JOHNSTON: I have never had a great deal of criticism of wartime housing or national housing. I think it would be wrong in principle to get away from the established practice the government has followed in handling housing under the national housing plan. As far as I know, the houses built under that plan were well built. I have not a great deal to say in regard to the wartime houses built by the Department of Reconstruction, mainly because I have not taken as much interest in them as I took in the veterans houses, which were very poorly built indeed, and we shall have more to say on that subject when those estimates come down.

I criticized the houses built under the Veterans Land Act. My criticism was that they were being hastily constructed, and poorly constructed; and later that proved to be the fact. I want to tell the minister that just before returning to Ottawa the last time I was home, about two months ago, I went to see the wartime houses being built down by the railroad track in Calgary. Those houses were being prefabricated. I forget the name of the company building them; I have it up in my office, but no doubt the minister will know who I mean, because I think it is the only company building wartime houses in Calgary. I went down to where they were doing this prefabrication, and I noticed one difference between the material used in the construction of those houses and the material used for the veterans houses. There was no comparison. In the veterans houses the lumber was exceedingly green; in some cases I think the leaves were still on it. The material I saw going into the wartime houses, however, was quite dry, and I think that was a great improvement. I saw them prefabricating the upstairs inside partitions, which were made with two by threes. I do not know why they used that size lumber; I am sure the specifications called for it or the contractor would not be using it. I think that is a little weak for that kind of construction. The minister may have a different idea, but I should not think an inside partition of two-by-three studding would carry plaster substantially; at any rate I have my doubts.

The other point I wanted to bring to his attention was that these were being joined with three-inch nails. The minister knows how these forms are constructed. They are laid flat on the floor; the studs are put in and the plate is put on, with the nails driven through the plate. As I stood there watching, I saw these three-inch nails being used, and in the first place I believe those nails are too small. I was doubtful as to whether or not the frames would stand much moving, because the two nails through the plate into the end of the studding were almost touching each other, which in effect meant that you had only one nail in the plate. I was dubious about that, so I walked over to where they had a number of these frames piled up, to see if that was just a mistake in that one instance or whether it happened in other cases. I found that a number of these frames had already pulled apart. They had not been transported, except to be carried from the platform to the pile; and unless a great deal of caution was taken in moving them by

truck or however they were taken to the point of use, I am afraid the minister is going to be in for a great deal of difficulty.

Then I want to say that when I was looking over this work I could not find the man in charge, though I asked several of the fellows working there where the foreman was. I think this was also the cause of a great deal of trouble in connection with the veterans houses. There was no foreman at all. He may have been around the pile somewhere, but I was there for at least three-quarters of an hour and could not find him. I believe there was not competent inspection in connection with the veterans' houses, and I think that was the reason for a great deal of the trouble experienced at that time. When that matter comes up again I think I may be able to show more clearly that this is so, and I would suggest to the minister that more caution should be exercised in connection with the construction of these houses, otherwise he is going to have a great deal of trouble later on.

Mr. PEARKES: I should like to offer a few observations regarding section 5, the section dealing with the new policy of lending directly to operators in the lumbering and mining industries in out-of-the-way places, and to ask for a little more information. I am convinced from what I have seen that one of the great difficulties has been a shortage of labour in the woods, and in many cases that has been so because the men have been unwilling to go into the woods and leave their families in the cities. If houses can be built nearer the mills and in the logging areas where there will be a sustained yield for a number of years, I am quite certain production can be increased. Up to now the difficulty has been that none of the housing schemes has been considered by the operators to be sufficiently flexible; in fact they say they have been required to put too much of their available capital into the building of houses. I should like to observe that the operators have been put to heavy expense recently in order to develop their industry. It requires a great deal of capital to build the railways and roads up the mountainside, to purchase modern equipment and to build the new mills which have been constructed at many points. They have not a great deal of capital left. So I hope that when these loans are to be made the department will take into consideration the fact that the loans must cover a large proportion of the amount which will be invested. Before any houses can be built, sites have to be cleared; perhaps drainage must be put in, and water and sometimes light brought to the area. So that there is a good deal of outlay on the part of the borrower before he can actually begin to build houses. I do not believe the houses themselves will be a heavy item of expense in the development of these particular schemes. I wonder if the minister could give us a little more information with regard to what percentage will be lent; what interest will have to be paid; whether these houses will be reserved only for veterans or whether any employee may occupy them; whether they will be transferable from a rental basis to a purchase basis later on, and so on. Many of the employees would prefer to rent houses for a while and perhaps eventually buy them when they found themselves settled in the particular area. These are some of the points on which I would ask the minister to be kind enough to give us a little further information.

Mr. HOWE: From the remarks of my hon. friend I assume that he is in agreement with the objective mentioned in the resolution. It would be difficult to deal with the provisions of the bill itself, which his questions cover, until the bill is brought down. The resolution simply deals with the objectives of the legislation. If the resolution is carried the bill will be distributed immediately, and it will be much easier for my hon. friend and much easier for me if we discuss the provisions of the bill when all members have it before them.

Mr. LOCKHART: There is one bit of information I should like to get which I may not be able to ask under any clause of the bill. The minister has referred on numerous occasions to prefabricated houses and I wish to know if the prices of these houses are checked and approved before they are offered for sale to veterans and, if so, by whom?

Mr. HOWE: If a manufacturer of prefabricated houses desires priority assistance, as most of them do, the project is examined in detail, the prices to be charged are considered, and the recommendation for priority contains the information which must be satisfactory to the officers of the department. However, this does not prevent anyone who wishes to manufacture prefabricated houses without priority assistance from doing so.

Mr. LOCKHART: I can give one specific instance, although I shall not mention the name of the firm which has enlarged its output of prefabricated houses. A four-roomed unit measuring approximately twenty-six feet by twenty-seven feet six inches, with a flat roof, is being offered at approximately $5,400. Vet-

erans are looking at these houses but they must have $1,400 as a down payment. I was just wondering whether these selling prices are checked, because this seems to be a lot of money for a flat-roofed four-roomed cottage with no architecture to it at all.

Mr. HOWE: As I say, any company desiring priority assistance would have the f.o.b. factory price checked. Of course, after the cost of foundation and the cost of the land are added to the factory price, the total cost might run up to $5,400. I do not know of any prefabricated unit that sells f.o.b. factory at anything like that price; the price is usually somewhere around $3,000.

Mr. MACKENZIE: The hon. member for Bow River endeavoured to-night to repeat certain allegations which he made in this house on March 28 with regard to certain houses in Calgary.

Mr. JOHNSTON: On a point of order, if we are going to discuss the Veterans Land Act I want to know it. I have no objection to the minister carrying on this discussion, but I want to know what is going to happen.

Mr. MACKENZIE: I did not bring it up; my hon. friend brought it up. I want to say that I have abundant evidence from the settlers themselves of their complete satisfaction with these houses. I have an official letter from the city engineer of Calgary justifying these houses. This evidence disproves in their entirety the remarks made by the hon. member for Bow River.

Mr. JOHNSTON: That was never disproved in the committee. I shall be only too pleased to have this discussed and I hope the minister brings his evidence before the committee.

Mr. MACKENZIE: I challenge my hon. friend to bring his evidence before the veterans affairs committee.

Mr. BLACK (Cumberland): It is not my intention to delay the committee at this stage, although this matter is the subject of considerable concern to the people in my constituency and to the people of Nova Scotia. I am at some disadvantage in entering into this discussion at this time because, owing to train connections coming to Ottawa from Nova Scotia, I was not able to be here during the early part of the discussion. There is a feeling in my constituency and in Nova Scotia that we are being discriminated against in connection with the securing of materials to complete the construction of such buildings as have been started. Certain materials have been available, but others have not and the whole operation has been held up. There is a great deal of disappointment among the people, notably the returned men. I should like to put on record a telegram which I received a few days ago from the president of the Canadian Legion, branch No. 10, Amherst, Nova Scotia. This telegram, which is addressed to me, reads:

> At a regular executive meeting of this organization the deplorable housing conditions of this town were discussed. I was instructed to contact you and ask you to intercede for us on this urgent matter. At this moment we have over forty veterans in desperate need of housing facilities immediately. Wartime Housing informs us that their facilities have been completely exhausted and that no further assistance will be forthcoming this year unless new houses are constructed. We ask that immediate action be taken by the government.
>
> J. Lorne McLellan, president,
> Canadian Legion, branch No. 10.

I could follow that up and give more detailed information with respect to conditions in my constituency, but I shall not do so at the present time. However, I want to point out that the citizens generally and the returned men in particular are interested in the resolution which is before the house at the present time. I hope that as a result of the passing of this resolution, material will be in greater supply and that the present needs in all parts of Canada, particularly in the parts to which I have referred, can be met and the situation relieved. I shall not say any more than to point out that the situation is urgent and the need is great. These people are very deserving and they should have all the assistance possible in order that they may secure housing.

Mr. HOWE: I suggest to my hon. friend that he is putting in his complaint at the wrong end. Before we can build wartime housing we must have a request from the city in question. I am quite certain that no request has been received for wartime housing from the city of Amherst.

Mr. BLACK (Cumberland): I have on my file a copy of a letter dated April 11, 1946, from the town clerk of Amherst to the Minister of Reconstruction and Supply. It reads:

> At the last regular meeting of the town council held on April 8, 1946, the urgent need for additional houses for the town of Amherst was under discussion. Our present wartime houses are being taken up by service personnel and at March 31 they had fifty applications on their waiting list, further to this we have a new industry opening in Amherst that will employ some eighty-five men and they already have applications in for eight houses and the Standard Chemical Company, who are opening a salt mine in Nappan, anticipate some two hundred employees within the next year and have already asked for ten houses immediately.

In consideration of this situation we urgently request that one hundred prefabricated houses be erected in Amherst at the earliest possible date. Sites are now available for these houses.

We would appreciate you directing this application to the proper departments.

Yours very truly,

V. G. Fuller, town clerk.

I took the matter up and could not get an undertaking that Wartime Housing Limited was in a position to respond to the request. I do not take the minister to task for not being familiar with these applications, but he is in error because there has been a direct application from the town of Amherst to the minister himself personally for additional housing in the town of Amherst.

Mr. BENTLEY: There is at the present time quite a shortage of cement in Saskatchewan. Inquiry was made in the old country to find out if it would be possible to ship cement from there through the Hudson bay port of Churchill during the summer season. The minister told us last year that the port was open for only a couple of months, so that any shipment would have to be hurried. The reply from the old country was that they had been informed by the authorities that all requirements for cement in Canada had been adequately provided for by Canadian manufacturers. If that is correct, why cannot we get cement? I know the government is austere in its wartime housing building and thinks basements are frivolous, but there are still a lot of old-fashioned people who like basements and need cement to build them. In one village in Saskatchewan I know of a church, a store, and two or three houses which have the basements dug and are held up because they cannot get cement. Are Canadian manufacturers manufacturing all the cement that is required in Canada, or has Lord Beaverbrook forgotten Canada?

Mr. HOWE: The production of cement is slightly out of step owing to the concentrated demand in the early months of the summer. But in another month or two there should be plenty of cement. At the moment there are shortages. Nevertheless the production of cement is far higher to-day than at any time in our history. I suggest that before my hon. friend buys cement from the old country and ships it through Hudson bay he ascertain what the price is in the old country. It would stagger him compared with the price in Saskatchewan.

Mr. McKAY: There is a heavy demand to-day for small homes, particularly for veterans. Is there any ceiling on the amount of materials that an individual may use in the construction of a private dwelling? Travelling in the east, I have noticed in the west end of Montreal houses being built that I would classify as mansions. Is there a ban on homes of ten or fifteen rooms being constructed at the present time? If there is, where are these people getting the materials? Is there such a thing as a black market? I believe that in the United Kingdom there is a ceiling in the vicinity of $7,000 in order to ensure that building materials will be distributed around and that veterans and others needing small homes will be provided for. Yet in Montreal I saw these mansions being built; we see the construction of garages right in the city of Ottawa, and I believe recently a contract was let for the building of a theatre. That sort of thing is inexcusable when veterans are going without homes, and there are scores of them right here in Ottawa who are still looking for homes. I would ask the minister to state if there is a ceiling on construction costs in house building, and if so, just how is it applied?

Mr. HOWE: So far as I am aware, any man in this country can build anything he likes. There is no restriction on anyone.

Mr. McKAY: Is that a proper thing when veterans are going without homes?

Mr. HOWE: I was going on to say that priority assistance is given only for homes costing $6,000 or less. That is the only type of building in which the government is giving assistance. If anyone can buy the material he can build anything he likes.

Mr. BENTLEY: A contract has been let for the building of a theatre in Ottawa, and a lot of cement blocks are going in there. Are there no priorities on cement?

Mr. HOWE: Theatres have no priority. There is no priority on anything except housing costing $6,000 or less.

Mr. BENTLEY: Anybody can buy all the supplies they want?

Mr. HOWE: If they can get them.

Mr. BENTLEY: And houses must wait while theatres are built?

Mr. KNOWLES: How do they get the materials if there is a priority for $6,000 homes?

Mr. STEPHENSON: In my district Wartime Housing Limited have said that they might be held up in the near future for the lack of nails. I brought this question up in the house in May last and a statement was made which I think should be clarified. In the Toronto *Globe and Mail* appears this article:

Ottawa, May 30.—There is strong official suspicion that the acute shortage of nails reported to be holding up Canada's construction programme is being accentuated at least by smuggling operations across the border for black market sale.

Canada's nail production described in the Commons by Reconstruction Minister C. D. Howe as going at full capacity, should be quite sufficient to meet even the increased Canadian demand. In fact, in actual figures, Canada is consuming only a percentage of stocks which should be on hand.

One clue to the situation is the demand from the United States coming through the legitimate channels, a demand which is blocked by refusal to issue export permits to fill the orders.

One recent application was made for a permit to export a substantial shipment to the United States to be sold at $1 per pound. Other applications have quoted as high as $50 a keg. This compares with black market prices in Canada running to $24 a keg.

Retail price of nails on the legitimate Canadian markets is about 8 cents a pound—if available.

While investigations carried on by the steel controller have failed so far to unearth evidence of illegitimate cross-the-border operations, it is pointed out that it is extremely difficult to check a bootleg movement of this kind.

The present shortages are attributed to three main causes:

1. Stock-piling by Canadian producers and distributors who are holding out in the hope of increased steel prices and a corresponding prices board adjustment in nail prices. The last increase was granted in March. This is believed to be the largest contributor to shortages.

2. Black market operations in Canada, said to be quite extensive.

3. Smuggling operations across the border to take advantage of American prices.

May I ask if that is true?

Mr. HOWE: The production of nails in Canada is easily checked. It is running at a very high figure, practically equivalent to the nail-producing capacity of the country. We have been trying to check the disposition of these nails. After a thorough check we can find no evidence of export operations or any evidence of stock-piling. If anybody knows where there is a warehouse full of nails, I wish he would tell me. We have been unable to find anything of the kind. The consumption of nails is difficult to explain. We cannot explain it. We think a great amount is going out of the country in packing for export. There is also no doubt that the use of green lumber has stepped up the number of nails used in building. The level of construction in this country is far higher than in any other period in our history. The shortage of nails is due to the great use of nails in construction in Canada to-day. However, we are now entering a shortage which is a real one. Nails are not being manufactured to-day in any quantity, because practically all the nail plants are on strike and the plants which ship the primary steel to the nail plants are also on strike. So that for the next month or two, or longer if the strike lasts much longer, nails will be in very limited supply indeed. All stocks of nails have been frozen and are being diverted into low-cost priority housing. It is only a matter of time, I think, when shortage of nails will practically close down building construction in this country.

Mr. STEPHENSON: Would it be possible for us to know how much of our production of nails is being exported?

Mr. HOWE: For many months there has been an export prohibition on nails. No nails whatever are being exported from Canada through legitimate channels. I cannot speak as to bootlegging.

Mr. LENNARD: A short time ago the minister stated that now, when a veteran had his house completed to the extent of fifty per cent, he could secure priority to finish that dwelling. I am pleased to hear that, because several months ago some cases were drawn to my attention where veterans applied for priorities to complete their dwellings, they wanted to obtain lathing, and were told that their house had first to be 75 per cent completed. That practically meant that the laths had to be on the walls before they could secure priority to obtain them. I am pleased to hear the minister's statement. When did that new order come into effect?

Mr. HOWE: Last week.

Mr. ZAPLITNY: Would the minister mind elaborating a little on the question of priorities? My mind is not clear as to whether there are priorities actually for persons building houses up to $6,000, how they go about getting them, and whether it means that those who build homes or other buildings worth over $6,000 do not require priorities but can go ahead and buy on the open market.

Mr. HOWE: Everyone can buy on the open market. Everyone does buy on the open market, I suppose. The priority means that if the open market has material the man holding the priority gets it first, but he does not get it all. I suppose that priorities account for only twenty-five to thirty per cent of materials available for house building; the other seventy or seventy-five per cent are sold on the basis of "first come, first served." Priorities are given to small house builders under certain government plans. One, Wartime Housing; second, integrated housing; third, Housing Enterprises; and fourth, emergency shelter. There is also a priority that applies to a veteran's house not built under any of these plans; provided that

the veteran has it fifty per cent built he is given priority for material allowing him to finish the house. If he does not come under any of these clauses he goes on the market, and we wish him well.

Mr. ZAPLITNY: I am following this up just another step. The minister states that a person building this low-cost home has a priority, but it has not been made clear over whom he has a priority because, according to the minister's own statement, another person building a more expensive home or another building may go to the same market and buy without having to have any priority. In other words, where there is no material to buy, your priority is no good; when there is material to buy, you do not need priority; you can go and buy anywhere.

Mr. HOWE: To carry the analogy one step more, some material comes on the market. Suppose there is no material to-day, but to-morrow a shipment comes in; the man with the priority gets his first, before the man without a priority gets anything.

Mr. ZAPLITNY: Provided that he is there to get it.

Mr. ROSS (St. Paul's): Along these lines there is a case I should like to mention, although it is only a small matter. The other day a master plumber wrote me, and I have tried to do something about priorities for him. He has taken people into his own house and he wants to put in some more fixtures; he has also some other jobs, but he cannot get wrought iron pipe. The work he has in hand is to accommodate veterans. Other people have done exactly the same thing; they have taken other people in, and they need more plumbing accommodation, the extra bathtub and things like that. Is he entitled to priority, or is he not? I take it that he is not. He is giving extra housing accommodation; why is he not entitled to priority?

As I said when I spoke before, many of these things are in short supply. My colleague mentioned nails the other day. Perhaps the minister knows that a number of theatres are going up, and he probably also knows that great numbers of nails are needed in such construction work. But these projects are not necessary, and people want houses. These large buildings which are to be erected will also require plumbing fixtures. Why should they have preference; why not put the fixtures into houses?

The minister, as I understood him, said that distribution of materials is made to certain districts. As I understand it, there is the distribution for the metropolitan district of Toronto, which takes in a wide area. The mayor of Toronto has no control over what they do in Mimico or other places in the district, and when supplies are sent out to build a theatre at Mimico the mayor of Toronto cannot forbid it simply because Toronto is short of material for housing. The situation is serious as far as building supplies are concerned. Soil pipe, wrought iron pipe fittings and other articles are in short supply. Bricks —how difficult it is to get bricks to-day; chimney linings, plumbing fixtures, and many other things are needed. It seems to me that something should be done about this situation. This is not the time to be putting up buildings which are really not necessary at present. Or take the bank building which I previously mentioned. I like to see the bank going up; but hundreds of pounds of nails and other needed materials will be absorbed in its construction, and it seems to me a pity that the veterans are to be deprived of their houses because of limited supplies of these articles. Some consideration should be given, too, to the people who are arranging to provide accommodation for additional families and who cannot get additional bathrooms, for it is just as important to enable a family to find accommodation in an existing house as to provide a new house.

Resolution reported, read the second time and concurred in. Mr. Howe thereupon moved for leave to introduce bill No. 306, to amend the National Housing Act, 1944.

Motion agreed to and bill read the first time.

RESEARCH COUNCIL ACT

APPOINTMENT OF VICE-PRESIDENTS AND EXECUTIVE COMMITTEE, ETC.— CONCURRENCE IN SENATE AMENDMENTS

Mr. G. J. McILRAITH (Parliamentary Assistant to the Minister of Reconstruction and Supply) moved the second reading of and concurrence in amendments made by the senate to bill No. 154, to amend the Research Council Act.

Mr. STIRLING: Will the parliamentary assistant comment on the amendments?

Mr. McILRAITH: The amendments are to be found in *Votes and Proceedings* No. 75 of Monday, July 8. They are quite short. They do not go into the substance of the bill but rather deal with the clarification of language. The first amendment deals with section 7 of the bill, additional powers of the council, and clarifies the language to make it clear that the additional power granted the council is to carry on manufacturing of an experimental and developmental nature. It will be noted that they strike out the words "experimental

and development work and manufacturing" and substitute in their place "work and manufacturing of an experimental and developmental nature." In other words, they limit the type of manufacturing that can be carried on and clarify the language in that respect.

The next amendment has to do with section 9 of the bill and is simply a matter of change in numbering the paragraphs referred to, (c), (d), (i) and (h) so that they will read in their proper alphabetical order.

The next amendment has to do with paragraph (b) of section 4 (1) of the act. That paragraph had to do with the council assuming control of existing companies, and the amendment brings the wording of that section into line with the wording of the section granting power to incorporate companies. It adds, after the word "companies", the following language: "incorporated under the provisions of part I of the Companies Act, 1934". It simply makes it clear that they cannot assume control of existing companies of another type. These are the only amendments.

Mr. GREEN: The official opposition concur in the amendments. As a matter of fact, the first one we suggested ourselves while the bill was under debate in this house. At least we suggested a similar amendment. I think it strengthens the bill. The other amendment that really amounts to anything at all is the fourth, and we also concur in it.

Mr. IRVINE: I am opposed to them all.

Motion agreed to, amendments read the second time and concurred in.

GOVERNMENT COMPANIES

OPERATIONS AND FINANCING—SUPERANNUATION AND PENSION PROVISIONS—CONCURRENCE IN SENATE AMENDMENTS

Mr. G. J. McILRAITH (Parliamentary Assistant to the Minister of Reconstruction and Supply) moved the second reading of and concurrence in amendments made by the senate to bill No. 155, respecting the operation of government companies.

He said: These amendments to bill 155 are to be found in *Votes and Proceedings*, No. 75 of Monday, July 8. The amendment is limited to section 10 of the bill. Section 10 deals with the contents of the annual report and provision for it to be laid before parliament. Subsection 1 as it now reads in the bill as passed by the House of Commons is as follows:

> Every company shall, as soon as possible after the thirty-first day of March in each year, and in any event within three months thereof, submit to the minister an annual report in such form as the minister may prescribe of its affairs and operations during the twelve-month period ending on the thirty-first day of March, and the minister shall lay the said report before parliament, if parliament is then in session or within fifteen days of the next session of parliament.

The senate amendment provides for the deletion of the words "in such form as the minister may prescribe" and the addition after the word "march" of the following words:

> containing its financial statement and such other information as the minister may prescribe.

It is an amendment in form. It clarifies the language and makes it clear that the financial statement must be included in the annual report.

Mr. GREEN: What type of financial statement is to be submitted by these companies? Is it the financial statement as called for under the Dominion Companies Act?

Mr. McILRAITH: It would be the financial statement as provided for by the Companies Act of 1934.

Mr. GREEN: The official opposition also concur in this amendment.

Motion agreed to, amendments read the second time and concurred in.

CRIMINAL CODE

JURORS IN CRIMINAL CASES IN SASKATCHEWAN AND ALBERTA

Right Hon. L. S. ST. LAURENT (Minister of Justice) moved the second reading of bill No. 303, to amend the criminal code.

Mr. GREEN: Will the minister explain this? The hon. member for Calgary West (Mr. Smith) is not here.

Mr. ST. LAURENT: I explained the purpose of this bill on the first reading thereof and discussed it afterwards with the hon. member for Calgary West. He was satisfied with the provision that was being made. This is the situation. In Saskatchewan the code provided that indictments should be tried by a jury of six persons. The government of Saskatchewan, through the attorney general, asked us to have the code amended to provide that in that province, as in most of the other provinces, trial on indictment be by a jury of twelve. That is one provision made in the bill. The other provision is to carry out an undertaking I gave the hon. member for Calgary West when my estimates were under consideration, that I would ask the house to deal at this session with the situation with respect to challenges and requests to stand aside in the selection of jurors to

existed immediately before the first day of September, 1905. The Northwest Territories Act, as it existed before the first of September, 1905, gave the accused only four peremptory challenges in the selection of a jury of six persons to try even a capital case. The hon. gentleman suggested that in the trial of important cases in Alberta the detry indictments in Alberta. There was the provision that the code would not apply in Alberta in so far as its provisions might be inconsistent with the Northwest Territories Act and amendments thereto, as the same fence should have the same number of challenges as would prevail elsewhere. He also complained that the crown had an unlimited number of stand-asides which could be exercised, and that might place an accused person in an unfair position. He was not suggesting that these requests to stand-aside were used unfairly, but they could be used unfairly to make up the kind of jury that those representing an accused person would not like to have sworn.

After the discussion of the estimates in the house, we communicated with the attorney general of Alberta, and he was quite willing to have this provision in the code eliminated, because it seemed to be more embarrassing than otherwise—that is, the provision referring to the Northwest Territories Act as it existed in 1905—provided that the number of jurors to be sworn were not increased beyond six, and provided that the number of peremptory challenges and the number of stand-asides be one-half those that could be exercised when a jury of twelve persons was being selected. I mentioned that to the hon. member for Calgary West and he was quite satisfied that that was a fair provision to make. It gives the defence in Alberta the same proportionate right in choosing a jury of six as that which exists in other provinces where the jury is composed of twelve persons.

Hon. members will remember that when the matter was discussed while my estimates were being considered, the hon. member for Calgary West said he was not complaining of a six-man jury, but of the fact that the defence did not have the same proportionate rights with respect to a jury in Alberta which they had in the procedure which prevails in the other provinces.

It required quite a lengthy bill to carry out the provision, but I can assure the house that that is all the bill does. It increases the number of jurymen in Saskatchewan from six to twelve as requested by the government of that province. It provides, as existed heretofore, that six jurymen instead of twelve will try indictments in Alberta, but that in their selection there shall be one-half the number of challenges and one-half the number of stand-asides which are allowed in the selection of a panel of twelve jurors in the other provinces.

Motion agreed to.

Mr. HACKETT: That is the only province in which—

Mr. DEPUTY SPEAKER: Order. The house is not in committee.

Mr. HACKETT: I was going to ask a question, if I might.

Mr. DEPUTY SPEAKER: It is not regular to ask questions until the bill is in committee. However, I am in the hands of the house.

Mr. HACKETT: I shall ask the question later on.

Bill read the second time and the house went into committee thereon, Mr. Golding in the chair.

On section 1—Application of act to Alberta.

Mr. KNOWLES: I confess that I am terribly out of my depth here—

Mr. SINCLAIR (Vancouver North): That will not discourage you from asking questions.

Mr. KNOWLES: When this bill passes it leaves us with only one province in the dominion where there is a six-man jury.

Mr. ST. LAURENT: Yes, that is my understanding. My understanding is that all the other provinces will now have twelve jurors sworn to try indictments.

Mr. KNOWLES: Is the matter brought on by provincial request? Obviously we have jurisdiction because we are doing it here. What puzzles me is the explanatory note which says:

> The object of this amendment is to make the provisions of the criminal code applicable uniformly so far as possible, to all the provinces . . .

If there is argument for having a twelve-man jury in eight provinces, why should we not have it right across Canada?

Mr. ST. LAURENT: It is a matter which is, of course, within the jurisdiction of parliament. But it has been the practice to endeavour to meet the requests of the provincial authorities, because they incur the expense of providing courts to try indictments. At one time Saskatchewan as well as Alberta expressed the desire, for the purpose of facilitating the organizing of juries, to reduce the number from twelve to six. After a few years' experience in Saskatchewan, they have come to the conclusion that they want to go back to the

system of twelve jurymen, but in Alberta they are still satisfied to operate with six. Of course it does not require the summoning of as large a panel to make a choice of a six-man jury possible. There is less expense incurred in summoning a panel for the selection of a jury if you require only six than if you have to summon a panel large enough to be able to pick twelve jurors out of it. So long as the government of Alberta, and the people of Alberta, as represented by, amongst others, the hon. member for Calgary West, say that they prefer it to the more expensive system, the Department of Justice tries to fall in with their views. In everything that is done under the criminal code we try to get the cooperation of the provincial authorities, and we try to extend our cooperation to them for the purpose of facilitating the administration of justice.

Mr. MacNICOL: The hon. member for Calgary West is satisfied?

Mr. ST. LAURENT: Yes.

Section agreed to.

On section 2—Trial without jury in Alberta, by consent.

Mr. JAENICKE: Section 2 provides that in an indictable offence an accused may be tried with his own consent by a judge of the superior court. Is that under part 17 or part 18 of the code?

Mr. ST. LAURENT: That is under part 18 of the code, or rather it is to bring Alberta under the code and conserve this particular provision which resulted from the Northwest Territories Act. The six-man jury and this special provision were the only portions that remained inconsistent with the criminal code. The criminal code can be made to apply generally in Alberta, provided that we have this and the other disposition with respect to the six-man jury.

Mr. JAENICKE: The accused would have the right to be tried by a district court judge, as we call them in Alberta and Saskatchewan, under part 17, as well as by a judge of the supreme court or the court of king's bench without the intervention of a jury?

Mr. ST. LAURENT: Yes.

Mr. JAENICKE: It would not be called a speedy trial.

Mr. ST. LAURENT: Here he can be tried with his own consent by a judge of a superior court of criminal jurisdiction.

Mr. JAENICKE: Under part 18.

Mr. ST. LAURENT: That would be a judge of the supreme court of Alberta, as it is called in that province, I believe, but he could be tried by a judge of the supreme court of Alberta without the intervention of a jury if he so elects.

Section 2 agreed to.

Sections 3 to 7 inclusive agreed to.

Title agreed to.

Bill reported.

EXCHEQUER COURT ACT

ADDITIONAL PUISNE JUDGE FOR EXCHEQUER COURT

Right Hon. L. S. ST. LAURENT (Minister of Justice) moved the second reading of bill No. 249, to amend the Exchequer Court Act.

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

On section 1—Constitution of court.

Mr. FLEMING: Will the minister tell the committee when the governor in council proposes to appoint the additional judge provided for under this bill? It is a matter of some importance, I think, in view of the accumulation of cases in that court.

Mr. ST. LAURENT: The provision is being made now; I should not like to set any specific date for the appointment, but it is intended to have the judge in office after what we usually call the long vacation.

Mr. FLEMING: Then we can expect that the court will be—

Mr. ST. LAURENT: I would expect to have the judge appointed so that he would be able to take up his duties at the opening of the fall term of the court.

Section agreed to.

Title agreed to.

Bill reported, read the third time and passed.

JUDGES ACT

MEASURE RESPECTING JUDGES OF DOMINION AND PROVINCIAL COURTS

Right Hon. L. S. ST. LAURENT (Minister of Justice) moved the second reading of bill No. 250, respecting judges of dominion and provincial courts.

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

On section 1—Short title.

Mr. ST. LAURENT: Perhaps I might suggest now that we report progress and ask leave to sit again. Certainly we could not get through the bill in the two or three minutes remaining, and it is one of considerable importance. The bill being now before the committee, perhaps it would suit the convenience of hon. gentlemen to have progress reported.

Progress reported.

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

Tuesday, July 23, 1946

The house met at eleven o'clock.

CONSCIENTIOUS OBJECTORS

TERMINATION ON AUGUST 15, 1946, OF CONTROL FOR ALTERNATIVE SERVICE

Hon. HUMPHREY MITCHELL (Minister of Labour): Mr. Speaker, I wish to table herewith copy of P.C. 3030, passed on July 18, 1946, providing that effective August 15, 1946, control over conscientious objectors for alternative service will end.

REPORTS OF COMMITTEES

WAR EXPENDITURES—CONCURRENCE IN FOURTH REPORT

Mr. GORDON B. ISNOR (Halifax) presented the fourth report of the special committee on war expenditures, and moved that the report be concurred in.

Motion agreed to.

VETERANS AFFAIRS

Twenty-second and twenty-third reports of standing committee on veterans affairs.—Mr. Tucker.

PRIVILEGE

MR. GREEN—REFERENCE TO ARTICLE IN MONTREAL "GAZETTE"

Mr. H. C. GREEN (Vancouver South): Mr. Speaker, I wish to raise a question of privilege having to do with a Canadian Press dispatch which appears in this morning's Montreal *Gazette* and probably has been published in other Canadian papers. The heading of the article is "Stiffer Attitude Seen in Outlays for Vets." The article goes on to say:

[Mr. St. Laurent.]

A stiffening attitude towards further financial outlays through allowances for Canada's veterans is reflected in rejection by the veterans committee of two new proposals.

It adds this paragraph, which is the one about which I am complaining:

The Department of Veterans Affairs recommended that student-veterans at universities be given a $5 a week commutation allowance if they had to travel a certain distance to school and a $5 a month textbook allowance. The committee rejected both but accepted a loan plan to aid such veterans.

As a matter of fact no such proposal was put before the committee on veterans affairs by the Department of Veterans Affairs, and that paragraph of the report is entirely erroneous.

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs): I entirely agree with my hon. friend.

MR. FRASER—QUESTIONS DROPPED FROM ORDER PAPER

Mr. G. K. FRASER (Peterborough West): Mr. Speaker, I rise on a question of privilege. This morning, just as I entered the chamber, I was handed your letter, and I wish to read it:

Dear Mr. Fraser,

I enclose copy of a memorandum submitted to me by the Clerk of the House of Commons, with regard to certain questions filed by you for the order paper.

Yours very truly,
Gaspard Fauteux.

The enclosed memorandum reads:

Memorandum for Mr. Speaker—

Mr. SPEAKER: I would ask the hon. member to state his question of privilege very briefly.

Mr. FRASER: Mr. Speaker, I cannot possibly state my question of privilege unless I read the memorandum. The memorandum is from the Clerk of the House in regard to questions that I submitted to him for the order paper, and I feel that in justice to myself and other members of the house who have submitted questions and have had them taken off the order paper, I should be allowed to read this memorandum.

Mr. MACKENZIE: Would the hon. gentleman give the house a summary of what is in the letter, without reading it? I think it is improper to read the letter.

Mr. SPEAKER: Order. I do not think the attitude of the hon. member is right. I believe that if he looks at Bourinot, Beauchesne and May he will see that it has

always been the practice in this house not to question or to discuss the conduct of the Speaker. I do not think the hon. member would assist in maintaining dignity inside of this house and outside it by discussing the conduct of the Speaker. I call his attention to May's Parliamentary Practice, 14th edition, chapter 16, page 334; it is entitled "Questions to the Speaker":

> Questions dealing with matters within the jurisdiction of the Speaker should be addressed to the Speaker by private notice. No written or public notice of questions addressed to the Speaker is permissible. . . .

And so on. I am sure the hon. member would not wish to do anything which would reflect disagreeably upon the Speaker, and may I point out that if he needs any explanation, if he requires any advice which the Speaker can give him, the Speaker will be glad to give him any advice or information within his power.

Mr. FRASER: Mr. Speaker, at all times I have tried to uphold the dignity of the house—

Some hon. MEMBERS: Oh, oh.

Mr. FRASER: —and I do not wish to reflect in any way on the Speaker. I have held him in high regard, and I still do. The whole point is that I submitted questions for the order paper; they refused to put them on the order paper, but instead they have sent them to the chairman of the war expenditures and economies committee to be answered, and I find from members of that committee that many of the questions which they asked weeks and weeks ago still remain unanswered.

Some hon. MEMBERS: Order.

Mr. FRASER: That is why I rose to-day on a question of privilege.

Mr. COLDWELL: Mr. Speaker, I notice that the question which was asked by the hon. member for Yorkton (Mr. Castleden) and was removed from the order paper is restored to-day. I was hoping that some explanation would be given to the house of the removal and the restoration of questions to the order paper. Is it the intention of the Speaker to make an explanation?

Mr. SPEAKER: The hon. gentleman will receive a letter and memorandum.

Mr. GRAYDON: Mr. Speaker, on this question of inquiries as to questions, I regret as much as you do and as the house does that we should be having so much difficulty and trouble, and at times it may appear as though it is almost a reflection upon Your Honour—which I am sure no one in this house wants it to be. But here is a question which has just been raised by the hon. member for Rosetown-Biggar (Mr. Coldwell)—a question on all fours with the one which was refused admittance to the order paper, the one asked by the hon. member for Peterborough West (Mr. Fraser); I refer to the question dealing with War Assets Corporation—which was on the order paper for some days, and then on Friday everyone noticed that it was off the order paper; now we come to Tuesday, and it is on the order paper again.

An hon. MEMBER: "Off again, on again."

Mr. GRAYDON: In raising the question as a matter of privilege, Your Honour, I do not think it is enough to send letters and memoranda to hon. members in matters of this kind. I think we should have a definite ruling so that the house could have the opportunity of saying whether these questions, without the approval or consent of the member who submits them, can be sent to a committee of the house. If these questions are to be refused a place on the order paper they ought to be returned to the hon. member, but on no occasion has anyone a right to send them to any other member of the house; yet I understand that in the case of the hon. member for Peterborough West they were sent to the senior member for Halifax (Mr. Isnor). I know of no right on the part of any official of the house to send a question designed to be placed on the order paper to another hon. member without the consent of the hon. member whose question it is. Actually what this is doing—and I say this in all seriousness, though I do not want to have a lot of trouble, nor do I suppose any hon. member does—is drawing an asbestos curtain right over the whole question of the War Assets Corporation.

Mr. SPEAKER: I think the hon. member for Peel will realize that if I thought it was right to send a memorandum, which was prepared by the Clerk of the House—who is acknowledged as an authority—to the hon. member for Peterborough West, I should do the same thing for the hon. member for Rosetown-Biggar, who is leader of the C.C.F. party. I should like to draw the attention of hon. members to "Bourinot's Parliamentary Procedure," chapter 9, page 313:

> It is the duty of the Clerk to point out any irregularity to the Speaker, as in the case of notices of motion and if the latter is of the same opinion he will order the Clerk to communicate with the member—

"To communicate with the member" what has been done.

—so that he may have the opportunity of amending his notice.

Now, what is the duty of the Speaker? Is it to discuss the merits of the question? The duty of the Speaker in relation to the question, as indicated in "May's Parliamentary Practice," fourteenth edition, chapter 16, page 333, is this:

The Speaker's responsibility in regard to questions is limited to their compliance with the rules of the house.

"Is limited to their compliance with the rules of the house". If therefore, according to the rules of the house, the question should not be put on the order paper, the Speaker's duty is not to discuss the merits of that question, though the rule may be unfortunate for some member, but to act in accordance with the rules. I may say to the leader of the C.C.F. party that the hon. member will receive a memorandum written and prepared by the Clerk of the House, and it may help if the hon. member would consult the Speaker, who will do everything possible to be agreeable.

Mr. COLDWELL: May I say, Mr. Speaker, that the reason I raised the question was that we might get an opinion on the record of the house. I understood that would be done. The question was ordered "stand" in the house, and then it was removed, and I submit that an explanation is due the house. I understood an explanation was to be given, and when we have that explanation, if it is based upon the rules, I shall be the last one to suggest that we do anything that would cause the Speaker to take any action contrary to the rules. An explanation as to why the question was removed and then restored should be given to the house, since it was done against the order of the Speaker that the question stand on the order paper.

Mr. SPEAKER: I have noted with interest the remarks of the hon. member, and will take them into consideration.

CANADIAN FORCES

REINSTATEMENT IN CIVIL EMPLOYMENT ACT, 1942—REGULATIONS GIVEN STATUTORY EFFECT

Hon. HUMPHREY MITCHELL (Minister of Labour) moved for leave to introduce bill No. 307, to provide for the reinstatement in civil employment of discharged members of His Majesty's forces and other designated classes of persons.

Mr. GRAYDON: What is the explanation of the bill?

[Mr. Speaker.]

Mr. MITCHELL: This is a new bill, Mr. Speaker, replacing the bill which was given first reading on, I think, April 15 last. Following that, as hon. members will recall, the bill was withdrawn in order that it might be redrafted and referred to the committee on veterans affairs for consideration and report. The bill consolidates the provisions of the 1942 act and of subsequently passed orders in council and gives statutory effect to the orders in council.

The form in which it is now presented has received the approval of the committee.

Motion agreed to and bill read the first time.

FAMILY ALLOWANCES ACT

AMENDMENT RESPECTING SCHOOL ATTENDANCE AND POWERS TO MAKE REGULATIONS

Hon. BROOKE CLAXTON (Minister of National Health and Welfare) moved for leave to introduce bill No. 308, to amend the Family Allowances Act, 1944.

Some hon. MEMBERS: Explain.

Mr. CLAXTON: This bill would make two minor changes in the Family Allowances Act. The first would carry into statutory form the provisions now in force regarding school attendance. The second would make textual alterations regarding the powers to make regulations.

Motion agreed to and bill read the first time.

VETERANS AFFAIRS

HOUSING—ELECTRICAL WIRING SUPPLIES

On the orders of the day:

Mr. J. O. PROBE (Regina City): I wish to direct a question to the Minister of Veterans Affairs. Will he please inform the house what priorities for electrical wiring supplies for houses being build under the Veterans Land Act are now in effect and whether the amount of such materials being reserved for veterans' building is such as to curtail distribution of electrical wiring through the normal trade outlets in Canada.

Mr. W. A. TUCKER (Parliamentary Assistant to the Minister of Veterans Affairs): Where an individual contract is set up by the director, Veterans Land Act, the contractor is issued with a priority certificate by the priority officer of the department of reconstruction. This certificate entitles the contractor to electrical wiring from the local dealer, provided that the dealer has it to supply. The Veterans Land Act uses a very small proportion of the total amount of electrical wiring

manufactured, and any priority supplied to the Veterans Land Act would have little, if any, effect on the normal distribution.

BUSINESS OF THE HOUSE

PROCEDURE IN QUESTIONS ON THE ORDERS OF THE DAY

Mr. SPEAKER: Orders of the day.

Mr. MACKENZIE: No. 1.

The CLERK ASSISTANT: Third reading of bill No. 303, an act to amend the criminal code.

Mr. HODGSON: Mr. Speaker, I would like to direct a question—

Mr. SPEAKER: I am sorry, but the order of business has already been called.

Mr. GRAYDON: On a question of privilege, I have never seen this done before in my eleven years here. Time after time latitude has been given a member who was trying to get the floor when the Clerk Assistant got in ahead of him. Surely you are not going to do this to us.

Mr. SPEAKER: The rules of the house are clear.

Some hon. MEMBERS: Oh, oh.

Mr. SPEAKER: Order. When a member rises to ask a question he says, "Mr. Speaker, before the orders of the day are called I should like to put a question to the hon. minister of so and so." On this occasion the order of the day had been read by the Clerk Assistant, and after it had been read the hon. member rose to put a question. I do not wish to be severe, but I have stated the rule of the house. With the unanimous consent of the house I will permit the hon. member to put his question, but according to the rules—

Mr. GRAYDON: We surely cannot be put in a straitjacket every moment of our time. I would—

Mr. MACKENZIE: Order.

Mr. GRAYDON: I would—

Mr. MACKENZIE: Withdraw that.

Mr. GRAYDON: I appeal to the leader of the government to ask that unanimous consent be given.

Mr. MACKENZIE: You cannot insult the Speaker.

Mr. ST. LAURENT: I should be glad to ask the house to give unanimous consent, but the hon. member who is leading the opposition should withdraw the statement he has made about being in a straitjacket.

Mr. BLACK (Yukon): Mr. Speaker, it has been my experience in this house over a good many years that even when the Clerk or the Clerk Assistant has called the first item on the orders of the day, where it appears that a member wishes to ask a question the Clerk sits down so that the member may put the question. May I point out that it is not necessary for a member before asking a question to say, "Mr. Speaker, before the orders of the day are called". That is only a custom; it is not a rule of the house, and it not necessary that a member wishing to ask a question should use those words. Before the orders of the day are called any member may rise and ask an appropriate question.

Mr. SPEAKER: As I have pointed out to hon. members, it is the practice every day, even when the Clerk Assistant has risen and has begun to read the item called by the leader of the house, to permit the member to put his question. But once the item has been read I do not think it is permissible for anyone to put a question. However, if it is the pleasure of the house that he be allowed to do so, the hon. member may rise and state his question.

FLOUR

SHORTAGE IN VICTORIA CONSTITUENCY

Mr. C. W. HODGSON (Victoria, Ont.): Mr. Speaker, I would like to direct a question to the Minister of Finance, or to his parliamentary assistant, who is in the house, under whose department the wartime prices and trade board is administered. My question has reference to priority in connection with the acute flour shortage in my constituency. I would like to know what has been done since Friday to relieve that flour shortage in the county.

Mr. R. W. MAYHEW (Parliamentary Assistant to the Minister of Finance): The hon. gentleman on Friday last asked me a similar question without sending me any notice, and he has done the same to-day. I will tell him what has happened. I gave him the address of the flour administrator in Montreal, even that gentleman's telephone number, and suggested that he or his principals get in touch with the administrator and inform him who their supplier is and what they have used of their quota. They did not see fit to do it in that way, but suggested that I do it for them. I therefore called up the flour administrator's office on Saturday morning about nine o'clock, and was informed that the bakers in whom

the hon. member is interested are buying their flour not from the Robin Hood Milling company but from Canada Packers. The Robin Hood Milling company has supplied to the Canada Packers the full quota of flour to which these bakers are entitled, and if they have not received their full quota it is to this company that they should apply and not to the flour administrator. Further, I wish to advise the hon. member that these companies have not only used up their full quota but were sent an additional fifty bags. The administrator said that he would get in touch with the Canadian bakers on Saturday afternoon in an endeavour to see if there was anything wrong or if they had fallen down in their deliveries, and they would try to get supplies. However, there is a way of handling these matters, and it is not by bobbing up in the house on every pretext—

Some hon. MEMBERS: No, no.

Mr. MAYHEW: Everyone knows who the administrator is—

Mr. GARDINER: The request for the regulations came from the other side.

Mr. MAYHEW: The hon member had all this information last Friday morning. He could have come to my office and it would have been settled, but he waited until after three o'clock and then rose on the orders of the day. I leave it to the house to judge why it was done.

Mr. HODGSON: On a question of privilege, I went to the parliamentary assistant at three o'clock—

Mr. MAYHEW: At three o'clock?

Mr. HODGSON: —in the afternoon.

Mr. MAYHEW: Three o'clock in the afternoon.

Mr. HODGSON: A few minutes after. I will not hesitate to say four o'clock, or five o'clock, if you like. The reason I went to the hon. member and asked him to do it was that this was not a new thing. This has been going on since June 12. I have letters here—

Mr. MACKENZIE: Order.

Mr. HODGSON: —which have come from the bakers, and—

Some hon. MEMBERS: Order.

Mr. SPEAKER: Order.

Mr. MACKENZIE: A Tory bear-garden.

Mr. LENNARD: I never saw you throw one over your shoulder.

[Mr. Mayhew.]

Mr. SPEAKER: Order. I would ask the hon. member—

Mr. HODGSON: The statement made by the parliamentary assistant—

Some hon. MEMBERS: Order.

Mr. SPEAKER: Order.

Mr. HODGSON: —is not right.

Mr. SPEAKER: Order. I would remind the hon. member that when the Speaker rises and calls "order," the hon. member who is speaking must resume his seat.

Mr. HODGSON: I am sorry; there was so much noise over here I did not notice that Your Honour was on his feet. As to the statement about bakers having used up their quota of flour—

Mr. MACKENZIE: Order.

Some hon. MEMBERS: Order.

Mr. MACDONNELL (Muskoka-Ontario): May I ask a supplementary question of the parliamentary assistant to the Minister of Finance. The question is, what is he doing to relieve a similar situation in Muskoka?

Mr. MACKENZIE: Order no. 1.

Some hon. MEMBERS: No.

Mr. MAYHEW: I had no notice of the hon. member's question, but I say the same to him. If he will give the department a list of those who are in short supply of flour, it will be attended to, provided that they have not already used up their quota.

Mr. HODGSON: I gave the list on Friday.

CRIMINAL CODE

JURORS IN CRIMINAL CASES IN SASKATCHEWAN AND ALBERTA

Right Hon. L. S. ST. LAURENT (Minister of Justice) moved the third reading of bill No. 303, to amend the criminal code.

Motion agreed to and bill read the third time and passed.

JUDGES ACT

MEASURE RESPECTING JUDGES OF DOMINION AND PROVINCIAL COURTS

The house resumed from Monday, July 22, consideration in committee of bill No. 250, respecting judges of dominion and provincial courts—Mr. St. Laurent—Mr. Golding in the chair.

On section 1—Short title.

The ACTING CHAIRMAN (Mr. Golding): Shall section 1 carry?

Mr. KNOWLES: No, Mr. Chairman. When second reading of this bill was called last evening, as the record will show, at about five minutes to eleven, there seemed to be a desire to get it into committee so that it might be discussed in detail.

The ACTING CHAIRMAN (Mr. Golding): Order. There is so much noise in the chamber that I can hardly hear the hon. gentleman.

Mr. KNOWLES: Because of the desire to get the bill into committee we did not raise any objection at that time. As a matter of fact no remarks were made when the order was called for second reading. But as we in this group look over this bill and find that its important provisions are for increases of salaries, many of which are already quite large, we do not take kindly to it. The lowest salaries referred to in the bill, aside from salaries for part-time service, are of the order of $5,000, which are to be increased to $6,666.66. Then they go all the way up to a present salary of $15,000, which is to become $20,000. I know that some of us hold a view which other hon. members of the house do not understand, but we still feel that when old age pensioners are asked to live on the amounts provided them, when the suggestion is made that a ten cents an hour increase is all that should be granted to workers at this time, it is not fair to propose such munificent increases in salaries in brackets that are already so high.

I have no objection to large salaries; I have no objection to judges, but we should look at this matter in the proper perspective. I am all for the dignity of our courts and our judiciary, but too much emphasis has been laid upon the necessity of large salaries to maintain that dignity. One must also bear in mind that there are generous pension provisions in the act for judges and their widows. Taken by themselves, I have no objection to salaries of this kind being provided, but in the light of our failure in this parliament to deal properly with old age pensioners, which I mention particularly, it is hardly called for. I know that at times when we on this side of the house have made reference to what has been done for old age pensioners as compared with some of these large salaries we get replies from the other side to the effect that it is "cheap stuff", and so on. I suggest that that is not so. If the word "dignity" has any merit or validity, it applies to all citizens, and one has to ask the question how much dignity can be maintained on an old age pension of $25 a month. It does seem to me that the Minister of Justice, as a member of a government which has failed to deal properly with our old age pensioners, has a tough proposition on his hands to make a case for the increases set out in this bill.

Mr. CHURCH: I wish to say a few words on this section. I had intended to say them on second reading of the bill. This bill is one of the most important ones we have before parliament. For many years the Judges Act has remained a dead letter, as to the function of judges, the appointment to their offices, and so on. We should have an equitable system of appointing judges. There should be an amendment to the act in that respect. Some judges in the Montreal district are classed as superior court judges and they are doing the very same work as is done by His Honour Judge Parker, the able senior judge of the county of York. He has the largest number of civil and other cases in any industrial area in Canada.

I had two bills before the house which the minister said he would consider, but I do not see any reference to them in this legislation. One dealt with judges, providing that they should not serve on what are known as federal commissions. Unless we have too many judges their time should be fully occupied with judicial and not parliamentary matters. We are fast building up in this country a system of commission government over the head of parliament when it is in session. The other bill related to the construction to be placed upon certain statutes, providing that a decision of a court of record on authoritative cases shall be final and binding, and shall be followed by all judges appointed under this act. I find that is not the case now. In one particular matter which has been referred to many times in this house we find that the decision of the final court, the judicial committee of the privy council, which should be authoritative and binding upon all judges appointed under the Judges Act, was not followed, though there can be no doubt about the law in that connection.

I am sorry to see that some of the recommendations of the chief constables' association are not implemented in this legislation. I do not want to speak very long, since this is our first morning session, but since confederation the federal government has not enforced its own laws. Every year hundreds of orders in council and acts are passed by this parliament, but the federal government does nothing to enforce them. Their enforcement is left to the attorneys general of the nine provinces. It is the duty of the federal government to enforce its own laws. All these acts are passed under

section 91 of the British North America Act, and their enforcement should be under the federal government instead of being handed over to the provinces, who in turn delegate it to the municipalities, who have to pay the costs. With the tens of thousands of orders in council passed during the war, this has placed an intolerable burden upon every municipal police system in the country. Last Saturday we had a meeting in the city of Toronto of chief constables from many cities on both sides of the border; we had the police games, and all that sort of thing. There is also a chief constables' association. Why was their brief not included here? I remember when I was head of the city council and police commissioner in Toronto the police chiefs of many cities met there and formed the Canadian chief constables' association. These men are out day and night, meeting all kinds of people, many of whom come across the border and commit all sorts of offences here, while the public are not protected.

There is another matter I am sorry is not dealt with in this legislation. I had a return brought down showing the large number of people killed and injured in fatal accidents on the highways. There were twenty-seven killed or injured last week end, and it is the same throughout the year. The province can spend sixty or seventy thousand dollars in prosecuting a person charged with culpable homicide, but it has not a dollar to spend to deal with this menace. More people are injured in the city of Toronto each year than would fill the seats in this House of Commons ten times over. In my city alone thousands of people were injured by the motor car, constituting one of Canada's greatest scandals. Men, women and children are slaughtered. Small children lawfully using the streets are struck down by hit and run drivers, and what are we doing to stop it? We are doing nothing under this bill. The penalties should be increased. That offence should be considered culpable homicide to a pre-eminent degree, because as I have said before nothing is so cowardly as that particular offence.

Now may I say a word about the appointment of judges. I do not wish to advocate the American system of electing judges—more care in selection is needed—but with all respect I think the minister should tell us who makes these appointments of county court judges. The other day I made some remarks about members of the bar which I am afraid the right hon. attorney general, who was very patient, misunderstood. All appointments made to the county court of York are lawyers of at least ten years standing at the bar, but I had in mind that some of them had not practised for many years. They may have been county clerks or township clerks or division court clerks, or held some other municipal office before being appointed to the county court bench. I am not saying the men appointed have not been good men, but I believe there should be some better system of appointment. It has been a rule since confederation that members of the House of Commons shall not ask the right hon. attorney general, who is Minister of Justice, to give legal opinions to the house or the committees thereof. That is a wise rule, because he is Attorney General of Canada, and there may be contests in the law courts between him and the attorneys general of the provinces. But I believe we should know how these appointments are made. I understand the provincial and federal cabinet ministers make recommendations to the minister. Sir John A. Macdonald appointed members of both parties to the bench, which had a good effect. He appointed some people who were on the opposite side of politics, because after all is said and done, our system is different from that of the mother country. Our Department of Justice includes the equivalent of four or five departments of the government in England. It performs the functions of the attorney general; it performs the functions of the solicitor general; it carries out the duties of the lord chancellor in England, who appoints the judges and is responsible for their salaries and the conduct of their offices. In addition our Minister of Justice has under his jurisdiction our penal institutions, which in England come under the home secretary. So in Canada this department has grown to be very important. The present minister is probably one of the best lawyers we have ever had in this office. A great many eminent lawyers have held this position, and I am filled with a spirit of deep humility when I recall some of them and their fine work for Canada.

The war has been over for a year, but we have not had a commission appointed to revise the criminal code. One provision of the code is violated every day, the provision concerning who may wear certain clothing and who may not. That is only a small matter, but there are other sections of the code which need to be looked into. In this connection I am sorry to say that one matter, which is now before the court of appeal in Ontario, was mentioned in this high court of parliament. That should not have been done, because the matter is still pending before the courts of the province of Ontario.

Then I understand the attorney general of Ontario wrote a letter to the Attorney General of Canada asking for certain changes in the law regarding culpable homicide. I have been trying to get something done about motor cars and many other matters, but I find no action has been taken on all these matters. Then I think we should have some explanation from the Attorney General about the recommendations of the various bar associations. I do not see why we should wait for them to make recommendations for the appointment of judges, practically taking that matter out of the hands of the Attorney General. I say further that at least some people in Canada believe in the election of judges. I am not prepared to go that far at the present time, though I can say that at times there is dissatisfaction on the part of bar associations and some of our local people about bringing judges into the county court of York from all over Ontario. We had three judges in that city who did all the work: the late Judge Coatsworth, then the late Judge Winchester; Judge Morson, and Judge Morgan. They were worked to death. Those judges were appointed from our own city.

What are the duties of county judges? Well, they have to do work in connection with the voters' list and in connection with many other municipal acts. These matters are referred to them for consideration. In my opinion they should have special knowledge of the localities in which they preside in civil and criminal cases. In this connection I do not agree with an argument used by a former minister. To a great extent they are judges handling municipal matters, under municipal laws and laws relating to the provinces under section 92 of the British North America Act. It is true that they take some cases which are under section 91. I believe the time has come however when some revision of policy should be made. There is criticism of the absence from this bill of penalties to check fatalities and accidents arising from motor cars, level crossings, drowning, fire hazards, fires in homes when parents are not present, and conditions of that kind. It is high time we in the House of Commons did something to remedy this condition by more modern legislation.

I believe that judges have for a long time earned larger salaries. We will remember that at one time a bill was introduced to exempt them from income tax. The first legislation of that kind was introduced by the late administration. Following the debate they were included under the income tax provisions. This is the highest court in Canada, the high court of parliament. Representations are made from time to time by certain members of the bar. Only last Saturday an article appeared in a local paper with respect to the able hon. member for Calgary West. We must remember that we sit in the high court of parliament, and must protect the judiciary. Many members of the bar have earned salaries far greater than they have been paid as judges, and it pleases me to see some progress made in this connection.

The quicker a royal commission is appointed to revise the criminal code, the better. As chairman, I would suggest a great trial judge like Mr. Justice Keiller Mackay. There are many other competent judges, and have been many in the past. I have in mind the late chief justice W. R. Meredith, and a brother, Chief Justice R. M. Meredith, one of our most able judges. Both served on a commission to revise the statutes.

The public should receive more consideration than it does to-day. We must consider the onerous work performed by the Minister of Justice. I can tell him that unless he does less work and has more leisure, and devotes less time to his duties of office I fear for his state of health, remembering what happened to three of his predecessors. While he has given some of his work to the new Solicitor General, a competent man in his own right, I believe the only solution is a standing national legal committee, such as may be found in all the provinces, to consider all legal bills we have in this house. If we had a legal committee we would not be forced to operate in compliance with the rules of house procedure. Two special committees have met. We must keep in mind that this high court of parliament is the highest court in the land. Let us first attend to our own rules, and make a complete revision. In the disposition of civil and criminal cases in the courts we need a British North America Act for the living, not one for the dead. The rules of procedure for this chamber are obsolete. Let us put our own house in order first; let us recover the rights, functions and privileges we had in this chamber years ago. We do not want generosity. We are sent here by the high court of public opinion, the people of Canada, to do our duty properly and to the best of our ability.

As I read the text of the bill presented the other day I war reminded of the time when Charles I walked in the door of the House of Commons, and sat in the Speaker's chair. He was looking for five men, and approached Mr. Speaker Lenthall in the matter. Mr. Speaker Lenthall said: "May it please Your Majesty, I have neither eyes to see nor tongue to speak in this place but as the

house is pleased to direct me, whose servant I am here." The presiding officer in this chamber is the servant of the House of Commons, as is a judge or a chief justice in a court of law who under sections 91 and 92 of the British North America Act represents parliament in civil and criminal cases.

Charity should begin at home. If we want to set an example for our law courts, and have a popular administration of justice, then let us set our own house in order. The first step would be to have a committee to revise the rules, so that we would have modern rules in this court of law, this highest court in the Dominion of Canada.

Mr. BOUCHER: With much of what was said by the hon. member for Winnipeg North Centre I am sure all hon. members will be in agreement. He has asked why we should think of increasing the salaries of judges when old age pensioners are not getting enough to live on. Upon reflection however I believe he will realize that his main point is not well taken. In Canada, as in all British countries, one of the things in which we take greatest pride is our judiciary. Fundamental to the well-being of every nation is a respect for law and constituted authority. So far as a respect for law and authority is concerned I believe Canadians, perhaps more than those of any other nation, have reason to be proud. I fear however that within the last five or ten years there has been in our country a diminishing of that attitude. This is most regrettable. I do not believe the Canadian citizen of to-day is as anxious to maintain the respect and obedience for the dignity of law as he was ten years ago.

When discussing salaries of judges I believe we should reflect upon the general attitude of the average Canadian toward Canadian laws and institutions. For the last ten or fifteen years, and perhaps for longer than that, I think parliament has not properly appreciated the particular advantages accruing to Canadian citizenship from a strong and highly respected and dignified judiciary. To a great extent I believe parliament and legislators generally have lost perspective through the appointment of so many commissions and commissioners with powers to interpret and to decide law.

A survey of the duties of judges in our Canadian courts would disclose that they have very little leeway in rendering their judgments because they must follow legal precedent. They must follow a code of interpretation and administration of law which has been established for generations and is binding upon them. They must obey the judgments of superior courts, and in their decisions follow those superior court judgments. A good judge must also take into consideration changing law to suit changing conditions. To guide him in this he has a mass of precedent from the court of record to which he belongs. This is not so of commissions or committees. During the war we watched the operations of a rental administrator, a man appointed to deal with problems affecting real property. Very often administrators of this type who are given power to interpret the law have never actually studied any law outside that which they are empowered to interpret. They have had no experience in administration of the law, and no precedents to follow. A judgment given to-day in a similar set of circumstances could be entirely opposite from one given to-morrow. There seems to be no way of checking this process, and the result does not add either to efficiency or to respect for law.

As to the matter of raising the salaries of judges, I have no doubt that each hon. member could think of a judge here and there who may not have a busy time of it and who, we may feel, is receiving adequate compensation for the work he is doing. But we can also think of many other judges who are doing much more work than they are being paid for. The hon. member for Broadview has referred to the judges of the county court of the county of York. The hon. member has indicated that they receive a salary of $6,000 a year. How does that compare with the salary of $15,000 received by the chairman of the Canadian Broadcasting Corporation? Compare the ridiculous salaries of some civil servants appointed by this government with the salaries of the supreme court judges in Ontario, who when they are on itinerary seldom are able to spend more than a weekend at home. Then look at the death toll among the supreme court judges of Ontario through overwork in the last fifteen or twenty years, and we shall begin to realize that the public, instead of having gained a few paltry dollars by keeping the salaries and the number of the judges down, have really lost through not having enough judges to do the work and by not giving the increased number more work to do.

If we do increase the salaries of the county court judges—and I am not objecting to that—some of them will be getting more salary than the work they have to do entitles them to, but for the most part they will fully earn their salaries. I feel that parliament must in the very near future adopt a different policy in relation to our judges. Our judges are as independent as they can be. I think every Canadian will agree that the independence of our judges is one of the strongest attributes of our national life. Compare with some other officers, a judge who by experience is fitted to administer the law. Parliament passed a law

on income tax and appointed a commissioner of income tax. The commissioner of income tax and his officials give a ruling, we will say, that I do not like and which I think is against the law. If I appeal from his ruling I have to appeal to the very man who has given that ruling. I am not saying anything against the commissioner of income tax, but I say that he has been administering the policy laid down by the government and has grown up in the spirit of income taxation. When there is an appeal from his ruling he has no court to which he can go for legal precedents and direction, nor has he that breadth of view of public problems to deal with them in the light of various circumstances.

I think we should approach this question first from the point of view of a strong realization of the dignity and authority of our courts, and, secondly, with the realization that that authority is not any greater than it was in the past, if as great. Personally I do not believe its authority is as great as it was ten years ago. I believe that the people of Canada, who have been subject during the war years to a multitude of regulations and restrictions, have through their lack of knowledge of the law and perhaps from a desire to beat the law, acquired an unhealthy disrespect for the law. I believe that those who administer the law have the responsibility of returning the people to a greater respect for the law.

Look at the experience that a county court judge has had. He has first of all had experience as a lawyer, whether that counts or not. Then when he sits on the county court bench he administers not only federal statutes, orders in council and regulations, but provincial law, orders in council and regulations, and municipal law and regulations, and he performs many other functions, all of which together give him a wealth of experience in interpreting the law.

In the provinces we have a municipal board administering municipal law. They are not members of the judiciary, and have not had the legal experience that our judicial officers have. The workmen's compensation board is another example, and if we want to take a federal example there is the wartime prices and trade board in almost every branch of which there are people engaged in interpreting a law for the enactment of which they themselves were responsible. A fundamental principle of British justice is that there shall be a differentiation between the judge, the prosecuting attorney, the jury, the witnesses, the plaintiff and the defendant, and we should bear that in mind. We should make sure that those who are appointed to office are able to perform the functions thereof. Therefore in supporting to a degree the Minister of Justice in raising the salaries of the judges, I do so not because I believe that at the present time under our present policy they all require an increase, but because I feel that the time has come when we must and should see that our judges are compensated for the increased work we shall be obliged to call upon them to do. But I would urge the Minister of Justice to take note also of the many officers who are performing judicial functions for which they have not judicial qualifications. If we are to increase the salaries of the county court judges, let us increase their work so that the people of Canada will also get the benefit of this increase.

Mr. McLURE: Mr. Chairman, I seldom enter into a discussion of bills of this kind, for the reason that I am not a lawyer and the legal fraternity are well able to take care of them. But I desire to direct a question to the Minister of Justice which deals with the judiciary of my province, Prince Edward Island. The matter I shall mention I have often heard our lawyers discuss in Charlottetown and in different parts of the island.

In Prince Edward Island, the supreme court of which consists of three judges as at present constituted, we have no real court of appeal. I understand that when a judgment is given by one judge an appeal may be heard only by the remaining two judges of the supreme court bench, with the result that if they disagree, as often happens, the trial judgment stands, even when the appeal judges disagree on points not even raised before these trial judges. I might also mention that the outcome of many cases is often unsatisfactory because the amount involved does not permit of an appeal to the Supreme Court of Canada. Does the bill now before us take care of such a situation as this, and has any consideration been given to the rearrangement of the judiciary of Prince Edward Island so as to provide for an efficient appeal court without adding to the existing number of judges?

Mr. ST. LAURENT: This bill does not take care of the situation referred to by the hon. member. Consideration has been given to it at various times ever since I assumed the office of Minister of Justice. One of the suggestions made was that the number of county court or district court judges be reduced and the number of high court judges increased so that there would always be three high court judges who had not participated in the judgment from which an appeal was taken. That has been discussed with the provincial authorities. The hon. member will realize that it is a matter within their juris-

diction. They are the ones who determine what courts they will have and how many judges constitute the bench of each court. Of course we have something to say in the matter. We do not admit that they can provide for any number of judges, a number that would be out of all proportion to the number required to handle the judicial business. But we try to meet the desires of the provincial authorities in providing sufficient judges for the courts which they organize as being the ones required for their local needs.

The suggestion of having one more high court judge and one less county court judge is one that has not been abandoned. It has not yet been accepted. It is a matter about which I understand the local authorities would like to get acceptance by the population of the counties. It may well be that it would require having the county court judges given jurisdiction over the whole island and not over just one district, because I do not think any one county would wish to abandon its rights to a judge in favour of the other counties. It is a matter which is still under consideration, I understand, by the local authorities of the province. The suggestion would involve some additional expense, but the local authorities have been told that I would undertake to recommend to parliament the additional expense that would be involved in the difference between the salary of a county court judge and a high court judge. It is something which the people of Prince Edward Island will have to make up their minds about. I do not think the hon. member would suggest that there be one judge added; I think he would agree that there are enough judges in Prince Edward Island to take care of all the judicial work which arises there. It is a matter for the people of the province to determine how they want that judicial talent used to the best advantage.

Mr. McLURE: When I asked the question I put it this way: to provide an efficient appeal court without adding to the existing number of judges.

Mr. ST. LAURENT: Yes.

Mr. McLURE: I should like to ask one more question. Could a county court judge sit with the two supreme court judges on an appeal case?

Mr. ST. LAURENT: That suggestion has been considered, and so far the information I have is that that would not be an acceptable solution. It has been given consideration, but the hon. member knows that there are personal feelings which enter into it, and so far it has not been found by the local authorities to be an acceptable solution.

[Mr. St. Laurent.]

Mr. HACKETT: In Ontario do not judges of different jurisdictions sit as an appeal tribunal?

Mr. ST. LAURENT: They do not form part of the court of appeal. I understand that district or county court judges hear appeals from magistrates, but the Ontario court of appeal is composed exclusively of judges who are appointed to that court and who call in occasionally as *ad hoc* judges some of their brethren of the high court or of the trial side.

Mr. IRVINE: I should like to add a few words of protest to those of the hon. member for Winnipeg North Centre in respect to the size of the salaries that are being provided for our judges. I want also to add a word of question in respect to the principle which is embodied in section 3 of the bill, that only barristers shall be eligible to be judges. I have just been reminded by the hon. member for North Battleford that Solomon had quite a reputation as a judge, and there is no evidence that he ever knew anything about Canadian law. I have also to remind the house, because I know they have a great respect for biblical characters and biblical lore, that Daniel was an extraordinarily adept judge, and I do not believe he was a lawyer.

Mr. BERTRAND (Laurier): That was a long time ago.

Mr. IRVINE: That was a long time ago, but humanity is still humanity, and—

Mr. MACDONNELL (Muskoka-Ontario): Will the hon. gentleman permit a question?

Mr. IRVINE: Just a minute; I want to finish this. Laws are not made for lawyers; they are made for people, and therefore the human element, all the conditions under which people err, is of greater importance than any legal dignity. Now ask your question.

Mr. MACDONNELL (Muskoka-Ontario): Has the hon. member any evidence to show that Solomon and Daniel had not made deep studies in law?

Mr. IRVINE: If my hon. friend had asked the question a hundred years ago whether the moon was made of green cheese and had required me to prove that it was not, it might have been difficult, but it is not very difficult to prove it to-day; and I do not think it is difficult to prove that Daniel was not a student of law in the sense that our barristers are. However, I am not hinging too much on that reference.

Mr. POWER: Good.

Mr. IRVINE: Personally I do not care whether they were lawyers or not. I am making the point that I question very much whether those who are trained in law are the best judges, and I am going to ask the Minister of Justice before this bill is passed to justify the principle involved in section 3. I want to know how it happens that they know more about how to judge the weaknesses of human nature and the errors of men just because they happen to have passed an examination in law. I want to know why it is that some of our most important crimes are judged by juries who know nothing about law at all. If it be that judges alone are eligible for this high office, perhaps we ought to abolish the old practice of trial by jury. But I will leave the minister to clear up that point.

The other point I want to protest against is that of the size of the salaries. I do not object to a man getting a big salary, but this is a public office, paid for out of the public treasury, and I do not think it is good business in a democracy to have such enormous disparities between public service and the average run of people who keep the country going. According to the government's own figures as presented in the Marsh report, which is the latest official publication that I know of dealing with matters of this kind, there are actually hundreds of thousands of people in Canada who get less than $500 a year, and they are the people who will be judged by these judges who receive salaries of $20,000, $16,000, $13,000, $12,000, and so on. Then, when they get too old to judge, they receive three-quarters of their salary as pension, and their wives may come in for half of that three-quarters.

An hon. MEMBER: Two-thirds in some cases.

Mr. IRVINE: Two-thirds in some cases. In my opinion that is building up a plutocratic aristocracy which will not lend dignity to the law but which will rob it of all its dignity, unless it is possible to raise the living standards of the people who are to be judged to something a little nearer that which it is proposed to pay judges.

I was amazed at the reasoning, or perhaps lack of reasoning, of the member for Carleton. He pointed out two things, or perhaps he thought he was pointing out two things, one of which was that these high salaries that we are paying are an evidence of our profound respect as a people for law. If that were good reasoning, we should probably increase or double the salaries of judges and then we would all have so much respect for law that no one would ever break the law and the judges could take a holiday and would not die of overwork, as the hon. gentleman suggested. The other point in his argument was that many of our judges work very hard and therefore ought to be highly paid. They work so hard that they die young. If that is true, my suggestion to the hon. gentleman is that judges' salaries should be cut in half and twice as many judges appointed. They would then live longer, if they are dying of hard work, because certainly increasing their salaries will not make them live any longer if they do the same work they do now for a little less. But that is the kind of reasoning by which we are bolstering up increases in judges' salaries.

I have made my protest and I am going to insist that the Minister of Justice be kind enough, before the bill is passed, to satisfy the house as to the wisdom of the principle embodied in section 3.

Mr. McKAY: I am sorry I cannot be as eloquent as the member for Cariboo, but I have a few observations to make on this bill and several suggestions to offer with regard to our Canadian judicial system. First, I would say that there has been some little question in this house in the past over travelling and subsistence allowance given judges serving on various commissions appointed by the government. A reference has been made to at least one case where a judge received an allowance sufficiently large to provide for his wife while he was serving away from his judicial district. The government should have a clear-cut policy with regard to these cases, certainly so far as expense allowances are concerned. The fact that one judge receives special consideration, and the public is made aware of the situation, results in the public sometimes questioning whether judges are free from political favouritism on the part of the government. The judges are not to blame for that. I am not suggesting that they are, but I do suggest that the government is to blame for allowing it to happen. The house should insist that a flat rate be allowed for expenses and allowances for a judge's wife when away from home, and no deviation from that rate should be permitted. The judiciary should never be placed in such a position that the public may question its integrity.

Secondly, an impression prevails throughout the country that judges serving on commissions receive extra remuneration for such services, despite the fact that it has been stated in this house by the minister that only travelling and subsistence allowances have been allowed in addition to the salary normally received by the judge in the position he holds. I believe it is timely now to make

a statement to the public that that is not so, and that the rule has not been broken with regard to the payment of any judges serving on commissions, so that the public in general may be made aware of the true state of things.

Thirdly, I question the method of appointing judges which has been in vogue in Canada ever since the passing of the British North America Act. When a Liberal government is in power Liberal judges are appointed—that is, Liberal in political faith—and should a Conservative government take office at the next election I should not be surprised to see judges of another political stripe appointed, namely, Conservatives. It is obvious that these appointments are political. Too often the appointments are a reward for political activities. Not infrequently, appointments are made to take care of some old war horse who has outlived his usefulness to the party. On the whole, I believe that the men appointed, either by this government or by previous governments, have been good men. I am not suggesting anything to the contrary. I am not suggesting that any of the men in the past have been incompetent. I say, however, that political appointees generally must find it a little difficult to bury the hatchet once they are made judges. They are human, and if they have been in political life for some considerable time they must retain some little political prejudice. While, mind you, there has been very little evidence that that is so, we hear rumours unfortunately from time to time that it is. I believe a better system could be devised than the one we have, and I would suggest that when the appointment of a judge is found necessary, recommendations for the position be invited from the law society of the province in which the judge is to be appointed.

Mr. FLEMING: Is the hon. member satisfied that political considerations would not be taken into account by such bodies in such circumstances?

Mr. McKAY: They might be, but not to such an extent. If they simply picked men of calibre who they felt were capable and qualified for the position, men who had experience, I do not think appointments would be restricted to any one political party. That is the point I am trying to make. I am willing to face a judge who is a Conservative, a Liberal or anything else; they seem to be decent chaps. That is not the point I am making.

I would further suggest that in order to free judges from political prejudice, in whatever degree it may exist—I am not suggesting it exists to any large degree—no member of parliament or of a legislative assembly be appointed as a judge. I know that is not a popular stand to take, and I shall be classed almost as a heretic.

Mr. HACKETT: No one who has been a member of these bodies?

Mr. McKAY: Yes. I knew it would not be popular.

Mr. HACKETT: I am not saying that.

Mr. DIEFENBAKER: Appointments are made from these classes in England.

Mr. McKAY: I know, but I am making the suggestion.

Mr. GRAYDON: Would that suggestion apply also to magistrates in the provinces?

Mr. McKAY: I am speaking chiefly of judges.

Mr. GRAYDON: But would it apply to magistrates?

Mr. McKAY: They are appointed by the provincial governments. I had not thought very much of that, but I should have no particular objection to putting them in, and I think they would do their work very much better if they did not have any political connection.

Mr. GRAYDON: Is that the policy followed in Saskatchewan?

Mr. McKAY: In general I think so. I do not think they are picking out C.C.F. men as judges. As a matter of fact they would have a little difficulty in picking out men who are strictly C.C.F. followers.

Mr. GRAYDON: For magistrates?

Mr. McKAY: Yes. I know that in a recent appointment made in Saskatchewan the individual was definitely not a member of the C.C.F. I cannot say that is general; I cannot say that is the rule all the way through. It seems obvious to anyone that when a young lawyer enters the profession—

Mr. BOUCHER: May I ask a question?

Mr. McKAY: May I be permitted to carry on without too much interruption?

The CHAIRMAN: Order.

Mr. McKAY: It is not that I do not want to answer the questions, but I should like to follow my argument.

The CHAIRMAN: No hon. member should be interrupted without his consent.

Mr. McKAY: It is a little difficult for me to follow the trend of my argument if I have too many interruptions. I have tried to answer the questions.

Mr. GRAYDON: The hon. member is pretty decent about it.

Mr. McKAY: As I said, young lawyers enter the profession and frequently look for something. They look forward to the day when they may be judges, and therefore they get into political life.

Mr. HACKETT: Not all of them.

Mr. McKAY: I agree with the hon. member for Stanstead that they do not all do that, because some have no hope of ever becoming judges.

Some hon. MEMBERS: Oh, oh.

Mr. McKAY: We find this situation developing. The young enterprising lawyer gets into political life. I have had experience in this particular field; I know what happened in one instance, where in a partnership one lawyer was a Conservative and the other a Liberal. They were not going to overlook their opportunities. I suppose if a third member was required in the partnership he would be a C.C.F. member. It could happen. If that were done then they would be always on the right side for any appointment that was being made; one or the other of the group would be selected.

If my suggestion with regard to appointments to the bench should be followed—I know it would not be popular—it would tend to safeguard the public against politics playing a part in the administration of justice.

I would further suggest that some method of promotion be evolved for judges. This suggestion may be a little more popular than the previous one. Every hon. member has observed the appointment of lawyers to high judicial places, even to the supreme court, I am told, without any experience whatever on the bench. I believe that is wrong; I think the principle is wrong. It is my opinion, and only my opinion, that judges should be appointed first to a district court, or to the county court, as it is called in Ontario, or to courts of equivalent status. The experience gained in that court would prepare a judge for work in a higher court. The next step upward would be to the court of king's bench. He would receive that appointment provided he had done acceptable work in the court to which he had been previously appointed. Then judges of the appeal court could be selected from the court of king's bench. I do not think it is sound to select men who have had no judicial training whatever and appoint them to high court positions.

The bill before us deals mainly with increases in judges' salaries and allowances for federal judges. It will involve considerable controversy; it will involve a considerable increase in public expenditure. I find myself definitely opposed to such a large increase at this time. Judges can still be found who will gladly serve for $5,000 a year, together with the other allowances which they receive, consisting chiefly of travelling and sustenance allowances when they are away from home. That is a fairly substantial salary, and as I have pointed out before, there always seem to be many men who want the appointments. That is proof in itself that they are adequately paid.

Some of our judges are not too busy. I have in mind a certain district court judge in Saskatchewan who had no more than twelve cases a year. In addition to his work on the bench he has the administration of the Farmers' Creditors Arrangement Act, which involves some extra work. But he is not a busy man. You can always tell how busy people are by what they do with their spare time.

I suggested a moment ago that $5,000 seemed to be a fairly substantial salary, but most of our judges in Saskatchewan—and I think this holds good throughout the dominion—receive an additional salary as judges of the surrogate court. That additional salary usually amounts to $1,000, and is added to the $5,000 which they receive as district or county judges. I believe I am right in that.

Mr. HACKETT: They receive that from the province.

Mr. McKAY: Yes, but it adds to their income. That makes the substantial salary of $6,000, plus the allowances for travelling and the sustenance which they receive when they go to a district some little distance from their home. It seems to me that that is adequate. It is going to be most difficult for us to convince the general public that it is not. I cannot see that the work of a judge is any more onerous than that of a provincial cabinet minister. The cabinet ministers I have come in contact with work day and night and are always on the go, and yet we are paying our judges a comparable salary.

We should keep it in mind when we are increasing the salaries that the judge is appointed for life. Most other positions which carry like incomes have not that security. The pensions which are allowed a judge and his

widow are exorbitant. Any man who is paid $6,000 a year should be able to make some provision for the future, both for himself and his wife. The public must pay for all this, and when one considers that the old age pensioners receive approximately $300 a year, I cannot agree that a judge's widow should receive much more. I say that because the judge has received considerable income all through his life and could make provision for his future and that of his wife. The pensions, as outlined in this bill, are extravagant and unnecessary and tend to place judges and their wives in a privileged position. I am not trying to be nasty in what I am about to say, but I believe that we have placed the legal profession and the judges on much too high a plane. I am not convinced that they render any greater service than the school teacher or the minister of the gospel, and yet on the whole these people receive much smaller incomes and have no pension protection, and they certainly have not the security of position which judges receive when they are appointed.

With these few words, which, as I said, may sound like heresy, I shall take my seat. I still maintain that we have to cut the tax bill of this country. We are spending huge sums of money. If I thought that by not increasing the salaries of judges we would tend to make it difficult to obtain judges because we would not be able to get the proper type of men for these positions, I would not oppose it; but as it stands now I feel there are plenty of men to fill these positions at the present salaries, so I am in opposition to this increase.

Mr. HANSELL: Mr. Chairman, I have rather full notes here on this subject, but I must confess that if I did not know the hon. member for Weyburn to be very honest and capable I would almost think that somehow or other he had stolen my notes, for what I am going to say is almost identical with what he had in mind; and of course as a result I need not take up a great deal of the time of the committee.

There is a point, however, I should like to make here in respect to the argument that the salaries of these judges are so high that there is a tremendous spread between their incomes and the incomes of thousands of people in our country who get so little; and the old age pensioners have been referred to in this respect. This is true, and we have no argument against it except that fundamentally we are arguing at cross purposes. The fundamental error is not that one is getting so much and the other is getting so little; the fundamental error is that under our present system of tax finance, when we raise the salaries of judges or government appointees we are spending somebody else's money, and that is where the rub comes.

When these matters are under discussion here I cannot help thinking that there are two attitudes that may be taken. One seems to be the attitude taken by all the parties except the Social Credit party; the other is the attitude taken by us. The one attitude is that there is only so much money to go round, and that money must come from the taxpayers. Just so long as you agree that is so, then so long shall we have the argument that there is unfair distribution of the scarcity of money; and on that basis the argument would be sound. But the Social Credit philosophy in that respect is a philosophy of spending. That may sound strange to some who have not heard of it before, but money is only good in so far as you are able to spend it. For that reason we believe our taxation system can be extensively revised, even to a point of almost doing away with it, apart from some injustices that might occur; and that if only we can look at this matter as being the spending of new money which is not other people's money, perhaps that problem would dissolve. Of course the argument that increasing the salaries of judges is an injustice imposed upon those getting lower salaries would have been a good argument to advance when our own indemnities were increased by reason of a $2,000 expense allowance. We did not hear those arguments then. My observation, of course, is that we knew we needed it and could not get along without it; nevertheless the same argument applies.

It has always struck me as rather strange that those who administer the law get more than those who make it.

Mr. KNOWLES: But not as much as those who break it.

Mr. HANSELL: That is so, too. I do not want any unfair inference to be taken from my remarks. I am quite satisfied now with the indemnity and allowance we are getting, and I am well aware of the fact that those who administer the law must have a background of training which costs a great deal of money. They have to go to university; they have to be articled to some law firm; they have to start out in business; they take a chance on whether or not their ability will get them somewhere, and I know all these things have to be taken into consideration. But regardless of the remuneration paid those who make the law, let us take as an illustration the one person in this country who after all is responsible for the administration of all the legal aspects involved in the country's business. I refer to

the Minister of Justice. I believe his salary is $10,000, with perhaps an allowance. But I am certain he has a tremendous responsibility. These judges get higher salaries than he receives. I could mention others. Take the Prime Minister, who gets a certain salary. I would have to turn to my estimates to refresh my memory as to the exact figure, but it occurs to me that the Prime Minister does not get as much as the chief justice of Canada, and he gets no pension when he is defeated at the next election. Then there are other government appointees who receive more than the Prime Minister receives. We have the Minister of Finance being paid $10,000 a year, and the governor of the Bank of Canada receiving $30,000 a year. I could never quite understand how that came about.

I shall refer to one other matter, to which I believe I shall not do better justice than did the hon. member for Weyburn, when he referred to the manner of appointing judges. To many who become judges the appointments are just juicy political plums. I refer to the matter in that way because I am certain that the appointment of judges is not necessarily based upon the ability of the appointees as lawyers. Many who receive appointments to the bench have not had outstanding careers in law. There are men who have outstanding legal careers and who have divorced themselves from politics but who, in my opinion, do not stand a ghost of a chance of becoming judges in Canada. I believe therefore that some other method should be devised for the appointment of judges.

I shall take my seat after asking a question. Are the salaries of judges subject to income tax, and are their expense accounts as outlined in the bill subject to income tax?

Mr. ST. LAURENT: Salaries of judges are subject to income tax. Travelling allowances provided are not taxed.

Mr. DROPE: I have listened with interest to the discussion which has taken place this morning, and would suggest a medium through which we could raise the salaries of judges without adding any greater expense to the country. I believe we have too many judges. Reference has been made to the large amount of work they are doing—and this may be so in some cases. However I can visualize many counties in the rural sections of Canada where the judges could easily take on the duties of one or two more counties, and still do justice to their work. I believe that probably we would attract a better class of judges if we paid higher salaries, and I would favour such an increase in salaries. At the same time I believe there should be a reduction in the number of judges.

I hear a good deal of criticism from the fact that judges withhold too long decisions in cases they have tried. It appears that there should be some provision whereby in a reasonable length of time a judge would be compelled to give a decision in a case. The expenses in connection with the trials of many of these cases have been heavy, and yet there does not appear to be any way of compelling the judge to give his decision. I believe it would be in the public interest if action were taken along this line.

Speaking generally I believe the work of the judiciary in Canada has been satisfactory, and that we should see to it that they receive a remuneration which would make them independent and fit them to do a better job in the administration of our laws.

Mr. SINCLAIR (Ontario): As a rule I am not in favour of increasing public expenditures, but in this instance I am heartily in favour of the move made by the Minister of Justice. For too long have the judges who administer our laws been underpaid. I welcome this opportunity to support the action of the Minister of Justice in bringing this bill forward.

Some novel suggestions have been heard in committee this morning. The hon. member for Cariboo referred to Solomon. Well, judging from the number he had around his house, Solomon was probably a better judge of women than of most other things. And as to Daniel, he would probably have qualified as a judge at a circus, because he landed in the lions' den.

The suggestion that non-lawyers should be appointed as judges in our courts is a novel one. I do not suppose that even a socialist would set a blacksmith to lay bricks on a house. After all, any man holding a responsible position must have some training for the position he occupies. Judges have to have a practice in law at the bar for a term of years before they become qualified to hold judicial posts.

The hon. member for Cariboo referred to the administration of law by juries. Sometimes juries are right and sometimes they are wrong. I am not going to say in which class most of their findings would fall. But as a solicitor who has been practising for a good many years I have often wondered what particular use there was for juries in a country where we have such well-trained judges on the bench. Some of the findings of juries upon facts given in evidence make one wonder how those findings were arrived at. Let me add, however, that where juries are employed they are given direction by a judge who, after all, presides in the court and has control of its proceedings. It seems to me hon. members

are going a long way when they advocate a system, such as was suggested this morning, under which we would not have trained lawyers on the bench to administer matters coming before them.

As usual the hon. member for Macleod had to give us the social credit theory—and I understood it this morning just as well as I have understood all the social credit theories we have listened to. I sit opposite them, and hear them all the time. Never yet, however, have I had the satisfaction of coming to a final conclusion of what it is all about, beyond the fact that it adds to the volume of *Hansard* and to the satisfaction of hon. members who have spoken.

Mr. LOW: Keep your mind open; you will learn.

Mr. SINCLAIR (Ontario): I cannot. I have had two sessions of it, and have learned nothing.

Mr. LOW: Don't blame us for that.

Mr. SINCLAIR (Ontario): The hon. member for Macleod also referred to juicy political plums. Let me tell him that there are many practising barristers and solicitors who do not look upon these appointments as juicy plums. Many of our best lawyers refuse to take appointments to the bench—and the Minister of Justice knows it. The result is that we must take men who have not the outstanding qualifications possessed by many others in the profession. For these reasons I certainly do not look upon an appointment to the bench as a juicy political plum.

Reference was made this morning to the law societies of the different provinces. For fifteen years I have been a bencher of the Law Society of Upper Canada. I am now a life member of that body, and I know that very often this matter has been discussed by it. They are actively interested in having the very best appointments to the bench.

Section stands.

Progress reported.

At one o'clock the house took recess.

The house resumed at three o'clock.

THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed from Thursday, July 18, consideration of the motion of Right Hon. J. L. Ilsley (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Macdonnell.

[Mr. W. E. N. Sinclair.]

Mr. JOHN BRACKEN (Leader of the Opposition): Mr. Speaker, when the house rose on Thursday last I was discussing the question of dominion-provincial relations. Before I proceed with my remarks to-day I propose to take a few minutes of the time of the house to summarize briefly what I had to say up to that time.

I had shown that the question of dominion-provincial relations had first been set out in the British North America Act of seventy-nine years ago; that that act set up a federal system in Canada, and not a unitary system—in other words a two-government system, not a one-government system—with a central government on the one hand and provincial governments on the other.

I had pointed out that this federal system placed responsibilities on each of these two types of government, and on one of them, namely the provincial governments, it had placed a limitation of taxing powers, the provinces being confined to direct taxation and denied indirect taxation. I had shown that the advantages arising from confederation had not been equally distributed as between the different sections of Canada, not because of any deliberate intention, but partly because of the accident of the degree of centralization that it brought about.

I had shown that certain national policies, particularly the tariff, had borne inequitably on different sections of the nation. I had shown that certain social services and the cost of those services, responsibilities largely of the provinces, had multiplied rapidly in the seventy-nine years, and that as a result, certain areas in Canada either had a very low standard of social services or had them only by imposing such a high rate of taxation as to be almost confiscatory.

I had shown as well that in the seventy-nine years since confederation there had been several adjustments between the dominion and and the provinces with respect to subsidies and so on, most of them, as we see them to-day, more or less minor in character. But in the nineteen thirties the situation had become desperate, and in 1937 this government appointed a royal commission to deal with the matter. That commission after three years' work had reported in 1940. The report failed to secure the agreement of the province in 1941; and then the government, realizing that something had to be done and practically everybody accepting that decision, entered into the wartime tax suspension agreements with the provinces, whereby the provinces vacated certain tax fields and the government

reimbursed the provinces to the extent substantially of the revenues which they had been receiving from those taxes.

With the termination of the war and the wartime tax suspension agreements being due to terminate, some next fall and others next spring, the federal government came forward with its August 1945 dominion-provincial proposals. Those proposals dealt not only with finance and taxation but with an expanded programme of social security and with a programme of public investment. Those proposals were modified slightly again in January of this year; and then in May of this year, in a conference with the provinces, failure to secure agreement was again the result. On June 27 last, when the Minister of Finance brought in his budget, he brought forward a much watered-down proposal which has been advanced to the provinces one by one since that time.

I had shown that in these various approaches to the problem there had been a progressive increase in the tax burden proposed to be levied on the Canadian people in order to meet this problem, increasing from $40,000,000 in 1940 under the proposals of the Rowell-Sirois commission's report to over $80,000,000 under the wartime tax suspension agreements, and to approximately $180,000,000 under the first proposals of the dominion government advanced last August, and approximately $200,000,000 in its modified proposals of last January; to which had to be added large sums for social security and public investment, bringing the tax burden sooner or later to be imposed on the Canadian people to $600,000,000 in the case of the dominion government and an addition of $200,000,000 on the provinces or a total of some $800,000,000 in all.

At the hour of adjournment on Thursday last I was dealing with the government's excuse for its meagre programme of tax reductions for this year, and for its action in omitting from its present programme the social security and public investment aspects of the proposals which it advanced last August. The efforts of the government in trying to represent that tax reductions by the government were dependent upon the approval of its proposals by the provinces I suggest, Mr. Speaker, leaves a false impression which is unworthy of the government of Canada. The government had to reduce taxation under the wartime tax suspension agreements of 1942 with the provinces. In its agreements with the nine provinces it was required by the provinces to get out of those tax fields to some extent at the end of the war. I know something about it, because I was on the other end of the agreement with Manitoba at that time. The provinces would not have gone into the agreements if they had not felt that they would be terminated when the war was over and that they could get back into their vacated tax fields without an undue burden on their taxpayers. In that connection I might read one section from the tax suspension agreement of the dominion with the province of Manitoba. I do not know whether the clause reads exactly the same in the agreements with the other provinces, but I presume it does. This is how section 20 of the tax suspension agreement with Manitoba reads:

> The dominion shall have the sole right to levy taxes on personal and corporation incomes of the calendar year ending on the thirty-first day of December nearest to the date of the termination of this agreement, and with respect to personal and corporation incomes in the following calendar year undertakes to reduce its rates of taxes by such an amount as will enable the province again to use the income tax and corporation tax fields, and in particular the dominion undertakes to reduce its rates of tax on corporation incomes by at least 10 per cent of such incomes.

That was a definite undertaking in the agreement signed four years ago. In compliance with that undertaking the government had no choice but to make these minor reductions in taxation which the minister announced in his budget.

Now with respect to the abandonment by the government of its social security programme and the public investment programme, what explanation does the government give for abandoning these two features of its 1945 proposal to the provinces? It is going ahead now province by province with the possibility of less than nine agreements being made; possibly eight, possibly seven, possibly six, possibly less; no man knows—possibly all. One cannot but regret this plan of approaching the provinces one at a time. One is compelled to wonder if the dominion is really anxious to have the larger provinces come in. I suspect it would rather see the larger provinces stay out.

The dominion is now paying $88 million to the provinces under the wartime tax suspension agreements. This amount will be saved the dominion treasury as the agreements expire, and if a province does not enter into a new agreement the dominion saves the rental it would otherwise have to pay. The government therefore has no right to say it has to abandon its social security and public investment policies because it has not been able to get the agreement of the provinces. If the government reaches agreement with all the provinces, it will pay what it has agreed

to pay—$198 million, it is estimated, for the year 1947; and if it makes agreements with less than nine provinces the cost to the government will be less. So why talk about abandoning the social security and public investment features of this policy which it proclaimed so loudly last August? In comparison with the August 1945 proposals as amended by them in January, the saving to the dominion under the government's present plan would be colossal. All this present plan can cost the government of Canada is $198 million a year; the last-year plan might cost and would in due course cost the Canadian people, dominion and provincial—and they are the same people—$800 million a year. As I said, in comparison with the August 1945 proposals subsequently amended, the lessened cost to the dominion under the government's present plan would be colossal. For that reason I say that the dominion government's attempt to saddle upon the non-agreeing provinces the responsibility for postponement of their social security programme is just pure bluff.

But the government will say that unless it has the exclusive use of these three fields of taxation, income, corporation and succession duties, it will not know what the provinces are going to do in them. The government hints that while it may be endeavouring to raise national production and national income, the provinces in the meantime may be trying to lower it. This is another type of superiority complex which is unworthy of the dominion. The dominion government says it wants to pursue anti-depression policies; is it to be assumed that the provinces will want to pursue pro-depression policies? This superior attitude which the dominion is developing towards the provinces is anything but conducive to good dominion-provincial relations. Is the dominion government assuming that if it reduces its corporation and personal income tax rates by small amounts to raise the level of production and employment, the province of Ontario or of Quebec or of British Columbia is going to be so stupid or so reckless of its own interests and the interests of Canada that it will penalize individuals and industries by imposing higher taxes? The logic of the government's argument is that the provinces can no longer be trusted to act responsibly in fiscal matters. It brings into the open in a way that has never been brought out before this superior attitude of the dominion government and its secret invisible government of advisers.

A few centuries ago kings and ministers fell into the hands of alchemists, those who claimed they could produce gold from the philosopher's stone. Gold has not the importance to-day that it had a few centuries ago; but we are building up in Ottawa with the concurrence of this government, a public service which is beguiling the people into believing that there is some magic or mysterious way which is open to dominion officials, but to no others, to provide services and goods without imposing great obligations by way of taxation. If the present government's social security and public investment policies were sound last August and sound until last April, then they were also sound in June, when the government brought in its present proposals. The dominion has no justification for dropping its social security programme because of any action taken by the provinces. All the facts indicate, Mr. Speaker, that the government fears to proceed with its own policies, that it fears the consequences of the heavy burden of taxation they would impose. It looks as if the government was pleased when the conference failed, particularly if it could lay the blame on somebody else.

Let me summarize briefly my views with respect to this matter. My observations of the last nine years, during which I happen to have been very close to this problem, indicate to me two things. First, the people of Canada will not be satisfied without an agreement; second, they will not be satisfied without an agreement arrived at by conference with all the provinces as opposed to one made by the government's piecemeal procedure.

My recommendations in this matter can be stated very briefly. They are just four in number.

First the dominion government should repeal certain minor taxes, such as the gasoline tax, amounting to three cents per gallon, and the tax on electricity of eight per cent of the consumers' bills, which taxation fields it invaded as a wartime measure. To comment on that in passing, let me remind the house that in the case of this gasoline tax, three cents per gallon, farmers have been held down with respect to farm prices even as their costs are rising; and now the dominion continues to impose three cents a gallon tax not only on gasoline used by farmers but also on gasoline used by fishermen and many others. With respect to the eight per cent tax on consumers' bills for electricity, I know of two provinces, Ontario and Manitoba—there may be others—the governments of which are taxing their whole people, in order to do what? To lessen the cost by fifty per cent of the distribution of electrical energy to outlying communities. In the face of that generous policy the dominion government comes along and puts on an eight per cent consumer's tax on electricity, offsetting to at least that degree

the policies of getting electrical energy extended to outlying areas. That is number one.

My second recommendation is that the dominion should stay out of these minor tax fields and leave them to the provinces. I cannot take time to-day to enlarge upon these things, but let me just say that in 1867 the provinces were required to give up their revenues in the form of indirect taxes, the chief source of revenue they had; and now, seventy-nine years later, they are asked to give up their important sources of direct taxation—income, corporation and succession duties; and the dominion still wants to stay in the other and minor fields of direct taxation. I say that the dominion should stay out of the minor fields and leave them to the provinces.

Third, the dominion should call another conference in order to try to achieve a united front in the attack on post-war problems.

Fourth, there should be set up in this dominion a central dominion-provincial committee to study dominion-provincial relations so that the present situation may be improved. In any event we should have a studied and acceptable plan for the time when the government's present five-year tax agreement plans either fail or come to an end. This question of dominion-provincial relations in Canada is too important not to have the best brains study it for as long as may be necessary in order to arrive at a plan that will receive the practically unanimous support of the Canadian people.

Briefly those are my suggestions. As for leaving these minor tax fields to the provinces, I wish to bring not only my own humble judgment but the judgment of the Rowell-Sirois commission, set up in 1937, which made a better study of this question than any other body that has studied it since confederation. What was proposed by that commission was that the dominion should have the sole recourse to income, corporation and succession duties; but that commission left no doubt in the minds of the Canadian people where it stood in respect of the other minor taxation fields. This is what the commission had to say at page 85 of volume 2 of its report:

> Each province will be left with, relatively speaking, a remarkably stable revenue. A large part of the revenue of some will consist of a fixed cash payment from the dominion. The taxes with highly variable yields will have been transferred to the dominion. Those with fairly constant yields will remain. (The chief exceptions are the public domain revenues and the mining tax rebate in some provinces, and the profits from the sale of liquor.)

Listen to this—the report continues:

> It is implicit in the plan, but should be clearly stated, that the dominion will respect the tax fields left to the provinces. Adjustments in the joint dominion-provincial-municipal tax structure will undoubtedly be necessary and desirable from time to time, but the dominion can no longer consider itself a free and independent agent to take unilateral action to this end when it pleases. The essence of the plan is to leave provinces and municipalities with adequate, suitable revenues, and this would clearly be defeated if the dominion should extend its taxation into fields already occupied by the provinces or on objects jointly taxed without making satisfactory compensatory adjustments. Such action would violate the whole spirit of the arrangement.

That, Mr. Speaker, is the view of the dominion's own commission after three years of study. It is the commission's view with respect to the attitude of the dominion government towards the minor fields of direct taxation in which the dominion now persists in remaining, even though it is asking the governments to give up the three large fields of taxation.

In addition to the views expressed by the Rowell-Sirois commission, I might point to the views of one of the provincial premiers, the premier of Nova Scotia. What he had to say may be read at the bottom of page 38, and on to page 39 of the proceedings of April 29 of the dominion-provincial conference. The date, as I say, is April 29, 1946, and I should like to read what he had to say about this particular aspect of the problem:

> How do the provinces stand under the proposals? We have two exclusive fields of taxation, one of which fields is valueless. There is joint occupancy of other small fields such as gasoline, amusements, electricity and the like. Then there are the proposed grants, which the dominion calculated at $15 per head, increasing as the production of this country increases. In return we are asked to surrender our rights to collect income and corporation taxes, two fields which, as I said, yielded last year something in excess of one and a half billion dollars. We have then to surrender the rights to collect income and corporation tax, two fields which I stated last year yielded something over one and a half billion dollars. That is the position which the provinces are asked to take.
>
> Let me ask you, Mr. Chairman, and the delegates here, whether they represent the dominion or the provinces, let me ask anyone who is within sound of my voice, let me ask that great body to which we as public servants are all accountable, the citizens of our provinces or of Canada, let me ask any of those people whether they think that is a fair or honourable or dignified position in which to place the provinces in this dominion? Provincial autonomy will be gone. Provincial independence will vanish. Provincial dignity will disappear. Provincial governments will become mere annuitants of Ottawa. Provincial public life—and I do not think these words are too strong—will be debased and degraded. I cannot think that such a state of affairs is desired by the representatives of the government of Canada here to-day, my one-time colleagues. I am sure that they have no wish or desire to see such a state of affairs come

to pass in this country nor can I believe that such a state of affairs is desired by the people of this country.

So much for the views of the Rowell-Sirois commission and of the premier of Nova Scotia.

As I said, at confederation the provinces gave up their indirect taxes, which then represented almost their total source of revenue. They gave them up for a subsidy payment which, even now, seventy-nine years later, amounts only to about $17,000,000; and now, after that seventy-nine years, the provinces are asked by the dominion to give up their chief sources of direct taxation—income and corporation and succession duties. When the provinces say, "At least leave us a few minor fields of taxation," the dominion says no. I suggest that such an attitude is not democratic. It is not cooperative. It represents not the conference mind but the dictatorial mind. It represents cœrcion. It smacks of centralized dictatorship. It represents the type of public discussion that this country ought, until the last extremity, to try to avoid.

I come now to the second of the two topics I indicated that I wished to deal with, namely, the question of the attitude of the government of Canada toward the cooperative movement. With respect to the cooperative movement let me at the outset make two brief comments. To me the cooperative movement is one of the counter balancing forces to the present trend in government toward centralization and bureaucratic controls. I regard the cooperative movement as a bulwark against both cartelization on the one hand and state socialism on the other. It is a movement that is here; it is a good movement, and nothing must be permitted which will hamper its development along sound lines.

My position with respect to the government's proposed taxation of cooperatives can be briefly stated in five sentences. Before I state these views let me say that any responsible government must try to find a system of taxation which is fair to all its constituents. Neither this government nor any other can let itself get into a position where unfair taxation laws drive people from one type of enterprise into another. Having said that, let me outline our position with respect to these cooperatives.

First, we are opposed to the government policy of imposing taxes on moneys which would have been paid out in patronage dividends by certain cooperatives in 1944 and 1945. We have a situation in Canada where, from 1930 until now, these organizations were not taxed on patronage dividends, or savings, or earnings, or whatever you choose to call them; and the government now comes forward with a policy saying that after 1946 they are not to be so taxed, but with respect to what has gone before they say: We are going to put a tax on these earnings, or dividends, or whatever you call them, for the two years 1944 and 1945.

Mr. ABBOTT: They are not putting taxes on; the tax was there. There is nothing in this budget that is putting a tax on.

Mr. BRACKEN: Let me ask the hon. member, who will be the Acting Minister of Finance, is it the government's policy from now on to exempt cooperatives from paying taxes on patronage dividends?

Mr. ABBOTT: Yes, of course.

Mr. BRACKEN: All right. If the government had been bringing in this measure two years ago, what would have been your procedure? Would you have said you would tax them for two years and after that you would not tax them?

Mr. ABBOTT: The fact remains that the law is there. Whatever we might have done had we brought the measure in two years ago, the law is there to-day.

Mr. BRACKEN: My hon. friend cannot get away from this fact—

Mr. ABBOTT: It has been there since 1930.

Mr. BRACKEN: These organizations were not asked to pay taxes until about 1941.

Mr. ABBOTT: No, 1940.

Mr. BRACKEN: It was not suggested that they pay taxes any time after 1930 until then, and none have been paid. Now the government comes along with a policy which says that from 1946 on, these particular cooperatives will not have to pay taxes on patronage dividends, but that whether they are taxable or not, it is going to make them pay taxes for 1944 and 1945, the two best years they have ever had.

Mr. ABBOTT: We are going to change the law.

Mr. BRACKEN: It does not add up to any consistency whatever.

Mr. BENTLEY: The same law was there in 1930 and is still there; it has not been repealed.

Mr. BRACKEN: The law has not been changed in this respect since I do not know when. These organizations were not taxed and have not been taxed as yet. After all these years the government has come forward with a policy which says that from now on they should not be taxed but they are going to be made to pay for 1944 and 1945, the two best

years that they ever had. We are opposed to the government policy of imposing taxes on moneys which would have been paid out for patronage dividends by certain cooperative organizations in 1944 and 1945.

Second, we are opposed to the provision governing payment of patronage dividends, by which they must be paid in cash. We take the position that cooperatives should be allowed to pay these dividends either in cash or its equivalent of any kind.

Third, we are opposed to the government limitation that transfers of stock ownership cannot be made free of tax except on purchases made subsequent to the year 1941. I shall make some observations on these latter matters in a moment or two.

Fourth, we are opposed to the government's policy of compelling cooperatives to pay patronage dividends to non-members. We are opposed to this because it is a matter of internal cooperative management and something which should not be made the concern of the government.

Mr. ABBOTT: The commission recommended that.

Mr. BRACKEN: It does not matter what the commission did; you are the government.

Mr. ABBOTT: In spite of that fact, we are entitled to pay some attention to their recommendations.

An hon. MEMBER: You cannot take it.

Mr. BRACKEN: Fifth, with regard to the government's plan that taxes must be paid on three per cent of capital employed, I want a further explanation from the government when we go into committee. As the matter now stands this plan is capable of different interpretations, and in addition it is not made clear how in practice it will be administered.

Let me now deal more specifically with the government's belated policy of dealing with pool taxation over the years prior to 1946. Ordinarily a taxing authority is supposed to know its business. What would we think as individuals if the government had been in doubt for some sixteen years as to whether we were liable for taxes or not? Members of this government had let the pools remain untaxed from 1930 to 1941 without protest.

Mr. ABBOTT: And the preceding government.

Mr. BRACKEN: All right, if that helps the hon. member any.

An hon. MEMBER: It does.

Mr. ROSS (Souris): Take your head out of the sand and look forward.

Mr. BRACKEN: Then, under pressure from the pool's competitors the government felt obliged to say, "Well, we don't know; you may be taxable or you may not." This was before the election. They said: "We will try it out in the courts. Let us have a test case." And before the test case had reached the courts, the government said, "No; we will appoint a royal commission." That was also before an election. Now for the first time in sixteen years the government has a policy with respect to taxing cooperatives. Now they say to the pools: "If you will give us two cents of the 3½ cents patronage dividends that would have been paid in 1944 and 1945 if doubts had not arisen in the mind of the government, we will call the matter off."

This government has asked the farmers of Canada—I will be a little more specific; this government has asked the wheat growers of Canada—to take $1.25 a bushel for a certain portion of their wheat and $1.55 a bushel for certain other portions, while the world price is at a vastly greater figure. The pool organizations supported that policy loyally, and as a recompense the government comes along and says that on the amount that you regard as patronage dividends in the last two years amounting to approximately 3½ cents a bushel we will take two cents. That is the government plan, even though from now on it is going to discontinue it as a matter of considered government policy.

The government has been forcing western farmers to take $1.25 basis Fort William, plus a participation certificate, for a part of their wheat. It has been forcing them to sell on export markets at $1.55 a bushel, considerably below the price paid to their competitors. Let me put it this way. Suppose the government had made up its mind earlier, as it should have done; what would have been the result? The result would have been that the years 1944 and 1945 would have been treated precisely as the years 1946 and 1947 are to be treated from now on. The government could not possibly bring forward that kind of policy and say it is right to tax these people for two years and then it is wrong forever afterwards to tax them. The government either had a taxation policy or it had not. If it had not a taxation policy, it has no business now using its power to extract money from Canadian citizens under the threat of prolonged and costly litigation.

I want to deal for a moment or two with the restrictions with which the payment of patronage dividends are surrounded. As I read resolution No. 12 the government is going to require that patronage dividends be paid in cash. If the government persists in

that attitude it means that the government is making a special, deliberate attack on the methods used by cooperatives throughout this country to finance their enterprises and to keep the ownership of cooperatives in active hands instead of in the hands of the estates of members who have passed away, or in the hands of members who have retired or left the country. Cooperatives generally follow what is called the revolving fund or revolving door policy. I can best illustrate the point by reference to pool elevator companies. Up to the end of 1928 the pools acquired their operating plants by deducting two cents a bushel from the sales of the grain of pool members, and one per cent of the value of the grain sold was set up as a commercial reserve. Let us say that a pool member, from whom such deductions were made, passed away with perhaps $500 payable to his estate. As patronage dividends are paid, say in 1945, or in any year, an amount equivalent to three-quarters of a cent per bushel is deducted from them, so that the cooperative members proportionately acquire the interests of those who have retired or become inactive or passed away.

In so far as transferring ownership is concerned, if the pools wish to deduct an interest in such ownership from patronage dividends, I do not see why the government should interfere. I am not talking about deducting money for buying new elevators or for the extension of capital equipment; that is an entirely different matter. I have never heard anyone object to paying taxes on funds so retained. I am talking now about the transfer of ownership from inactive to active members. These organizations want to have a membership that is alive. They do not want all their stock held by the estates of people who have died. In this respect we shall urge that the resolution be amended to provide that patronage dividends may be paid in cash or its equivalent.

I also object to the provision that these transfers can take place only on purchases made subsequent to the year 1942. They should be permitted in the case of purchases made back to 1925, and they should be permitted in the case of all cooperatives, in order not to interfere with the cooperative practice of maintaining active membership in the way I have just indicated.

The third objection I raise is with respect to the requirement that patronage dividends be paid to members and non-members alike. I think this is an interference by the government with the internal management of the cooperatives, and I am opposed to such interference. I do not object, and I know of no cooperative that objects, to the payment of taxes on earnings made by cooperatives through business done with non-members; but why should we interfere with their internal plan of management? The members of the pools risked their small capital in developing organizations which they think serve them well. Why should someone else, who takes no such risk, have the same advantages as the members of the pools, particularly when they can become members by signing an application and paying a dollar?

This measure is before the parliament of Canada to-day chiefly because of the fact that these great cooperative organizations of western Canada, in the years when both they and similar business organizations were making money, became the subject of protest by their competitors. That is how the matter first arose. Studies have been made in connection with cooperatives generally, but that is how the matter first arose, and it was as a result that these studies were made.

So far I have confined my remarks to the wheat pools, but I am reliably informed that, aside from the collection of back taxes, the objections which are held in the case of the pools are held also by cooperatives generally throughout Canada.

Before closing I want to refer to a statement made in this house on Wednesday last by the hon. member for Inverness-Richmond (Mr. McGarry), as reported at page 3540 of *Hansard* for that day. The hon. member admitted that he did not understand the resolutions but said he would quote a man who did; and he quoted the words of Doctor Coady, who he said is now and for many years has been director of the cooperative movement in the maritimes. For the information of the house let me say that Doctor Coady is not director of the maritime cooperative movement. Doctor Coady is director of the extension department of St. Francis Xavier university at Antigonish, Nova Scotia, and his views in regard to cooperatives are entitled to very great respect. But if any friends of the cooperatives in the maritimes wish to have the considered views of those organizations, let them apply to the Minister of Finance, who on July 11 received a telegram from the maritime cooperative services, representing all the major cooperatives in the maritime provinces. Since a copy of the telegram has been handed to me I shall take the liberty of reading it into *Hansard*. This is their resolution:

Resolved, that members and delegates of the Maritime Cooperative Services Limited assembled in annual convention in Moncton this 10th

and 11th day of July, 1946, urge that the Minister of Finance, the Right Hon. Mr. Ilsley, reconsider proposals contained in the resolution in the budget speech respecting taxation of co-operatives with specific reference to:

(a) Motive—we cannot agree to cooperatives being classed with profit business in motive of business operation;

(b) Taxation based on percentage of capital;

(c) Classing non-member business in same category with member business;

(d) Payment of patronage dividends—co-operative members to have the right to dispose of their own portion of surplus;

(e) That any change made should not apply to organizations whose year ended prior to the announcement of the 1946 budget.

These are the considered views of an organization which speaks for all the larger cooperatives of the maritimes.

In concluding these remarks, Mr. Speaker, I wish to make a final appeal to the government. My appeal is that the dominion-provincial conference be reconvened. As I said at the outset, we in Canada have a federal system. We have that kind of system because we could not have had confederation under any other system. And that is just as true to-day as it was seventy-nine years ago, and it is important that we maintain this system, in spirit as well as in letter. That kind of organization requires the utmost of cooperation and good will and the minimum of prejudice and misunderstanding. We should not be content with saying we are through because we have worked at it for nine months. The government could have started earlier and continued later. But whether or not they continue, the problem will be here and the Canadian people will have to deal with it. If the reconvening of the conference is essential to a consideration of the social security and public investment policies, it should be reconvened.

The government says these social security and public investment policies were important. If they were, the government should not give them up so easily. If, as they say, a united agreement is necessary, then the government should be trying to get that agreement, no matter what the circumstances were or are. I neither criticize nor condemn any of the men who took part in the conference. As we stand to-day the dominion will give orders and the provinces will be expected blindly to fall into line. The civil servants at Ottawa will lay down the law and the provincial governments in the provinces and the members of the legislatures of the provinces will be expected to comply. The dominion, with its supposed better mentality, will be pulling the strings, with the provinces expected to dance to their tune. We cannot get results in this way.

I therefore urge that the dominion and the provinces should meet again to cooperate in working out public investment and social security measures, as well as taxation policies. The last mentioned is all we have in the present arrangement.

The dominion says, "Give us the right to these taxes and we will give you $15 a head". They wash out the great programme of social security and public investment. The dominion has an exaggerated idea of its ability to regiment and control employment and production entirely on its own. The provinces have still great powers for the development of natural resources, the construction of roads and public undertakings; and their cooperation is vitally necessary in the implementation of an over-all Canadian plan.

If we were a unitary system, with only one kind of government, then that would be an entirely different proposition. But it is not that way, and it is not going to be changed. Any realistic man in Canada must know that. I appeal once more to the government to take this matter in hand. I can sympathize with some of the ministers. I lived during many years in one of the provinces which stood to benefit under an arrangement of this kind. I recall very clearly the more than three years when we in Manitoba found all kinds of serious difficulties, in studying this matter.

Negotiations have been long, perhaps wearisome to some ministers. Some of the ministers are tired and perhaps piqued by the slow progress made. But this is a case that calls for united action, not divided action. It calls for strengthening of the federal system, not the weakening of it. It calls for avoidance of centralized dictation and the preservation of the maximum of provincial autonomy and provincial responsibility.

Above all, our federal system calls for unity and good will, not friction and misunderstanding, as we face the task of bringing Canada to a measure of stability and confidence which is not in evidence to-day, but which the times demand, and which are within the grasp of a united people.

Mr. JEAN-FRANÇOIS POULIOT (Témiscouata): Mr. Speaker, I have listened with profound attention to the forceful and aggressive address delivered by the leader of the opposition (Mr. Bracken). But my mind was rather disturbed, because while my ears were wide open to what he said, my eyes were on the speech he delivered at a dominion-provincial conference on January 14, 1941. That was a long speech, covering eighteen pages of the record of that conference. The hon. member says that he has been put under false apprehension. It may be so. He was

very friendly with one of the commissioners who is now dead. We know, therefore, whose was Esau's hand and whose was Jacob's voice in 1941. But in 1946 it would be quite interesting to know whose was Jacob's voice, while Esau's hand was the same.

Times change. Time marches on. I am sure that if the Rowell-Sirois report has been implemented by the government, it is precisely due to the able speech delivered by the present leader of the opposition on that fateful day, January 14, 1941. The hon. member was then, as he is to-day, a man of great experience, the dean of the premiers of the nine provinces. Here is what he said about the Rowell-Sirois report:

This commission was required by its terms of reference to make a very wide inquiry. It has done this in a most thorough manner. In the judgment of many competent authorities, it is one of the most intensive and complete public inquiries ever undertaken in the British empire on the workings of a federal state. Canadians now, and in the days to come, may differ as to the wisdom or efficacy of the specific recommendations of the commissioners; but the careful and exhaustive research on which the recommendations were based will stand to-morrow, as it stands to-day, a bench-mark to which we shall always return.

Yes—"Canadians now, and in the days to come"; who would have said then that in the days to come it would be on this 23rd day of July that the hon. gentleman would deny what he was boasting with such emphasis five years ago?

But that is not all, Mr. Speaker. I quote again the same gentleman:

We in Manitoba—

Now it is "we in Ottawa"—there is a slight difference.

We in Manitoba—

It may be "we in Toronto"—

We in Manitoba respect this report because it comes from men whose ability and integrity are generally admitted—men who have had the advantage of the fullest possible facilities for reaching sound conclusions—facilities that have never before in Canadian history been provided to those charged with similar responsibilities. To the men responsible for this outstanding contribution to our national life, I wish on behalf of the people and the government of Manitoba to convey our most sincere congratulations and thanks.

An then as he sat at the clerk's table, the hon. member summarized, the four major recommendations of the commission. What were they?

1. The transfer to the dominion government of a wholly modern responsibility—unemployment relief.

[Mr. Pouliot.]

When the war came along unemployment to a large extent decreased, and that question is not argued by the hon. member at this time. Then:

2. A change in the method of arriving at dominion financial assistance to the provinces.

This is very important. It changed the basis of taxation according to the British North America Act. Now let us see what will please the premiers of the provinces:

3. The transfer to the dominion government of the sole right to levy income tax, inheritance tax and corporation taxes.

And No. 4:

4. The assumption by the dominion of the debts of the provinces.

The subtitles were these: Implementation of Substance of Report Essential to National Unity. Very important, Mr. Speaker. Another one was this: Implementation of Report Enhances Provincial Autonomy. Then under the subtitle, Unsoundness of Tax Structure Inherent in Constitution, I read this:

As long as the provinces have resort only to direct taxation, and their revenues are supplemented by the dominion only through subsidies calculated on the obsolete basis of population—just so long the dominion cannot impose the taxation which it should on incomes and inheritances without seriously reducing the important sources of revenue of many provinces, including certainly Manitoba. We suggest that as long as the provinces retain the field of direct taxation, our national tax structure will continue to present this irrational aspect.

Another subtitle, Mr. Speaker—most interesting—was this: Ill-Balanced Tax Structure Bears Heavily upon Low Income Consumers and Unprotected Producers, and under that heading I find this:

Let me touch on this for just a moment. As long as the dominion has to raise the bulk of its revenues by indirect taxes upon consumption which bear most heavily upon the low income groups, its taxes will continue to inflict the grave injustice which has been inflicted during the depression upon the poor, upon the consumer, and upon the farmer and other producers who are not protected by the tariff. The poorer a man, the larger his family, the less protected his market—the more heavily this tax structure bears upon him, regardless of the province in which he lives.

Some of the other subtitles are: Heavy Indirect Taxes Increase Cost of Living—Ill-Balanced Tax Structure Leaves Relatively Heavier Burden upon Low Income Groups—Present Tax Structure Transfers Income from Relatively Poor to Relatively Rich. Under the subtitle "Decision Provinces Must Make", I find this:

The decision which the provinces must make is whether they shall retain their right to impose these direct taxes and get less and less

from them, or whether they shall voluntarily relinquish them now for adequate considerations, financial and otherwise.

That is what was said by the hon. leader of the opposition a little more than five years ago. I regret to have to remind him of what he said on that occasion. It may or may not be of some embarrassment to him, but as he is the one who by his eloquence was responsible for the adoption of the Rowell-Sirois report by the government, it is my duty to put this before the house so that even those who were not in public life at the time will not be unaware of the stand taken by the hon. gentleman on that occasion.

As I read the amendment which has been moved by the financial critic of the opposition I find that his first complaint is that the budget does not provide for tax reductions in the calendar year 1946. No tax reductions! I am for tax reductions provided that the expenditure is not too heavy, and I will have a word to say about that in a moment.

When the Prime Minister sponsored the motion to establish the Rowell commission I thought that his purpose was to clear the skies, to relieve Canada of all the difficulties which had been a cause of contradictory jurisprudence, and to give ample opportunity to the government at Ottawa and to the provinces to stand up and be self-supporting for years to come.

If we read the British North America Act attentively and read at the same time what was said by Lord Carnarvon, who sponsored our constitution in the House of Lords, we shall realize that the purpose of those statesmen who had foresight and who did not change their minds every year or every five years, was to create independent entities, to create provinces that were to be independent of the dominion government and of the dominion parliament just as much as they were to be independent of each other. The word 'exclusively" is repeated time and time again to show that the jurisdiction of one authority is not the jurisdiction of the other. The speech of that great Englishman can be summarized in these words: we will teach them, teach Ottawa and the provinces, we will teach them all to mind their own business. It is precisely because of the encroachment that has been made upon these separate fields of jurisdiction, by the dominion on provincial ground and by the provinces on federal ground, that we reached the time when the commission was created.

And what happened? What was it? The intelligensia appeared before the commission from everywhere. They even brought Bruening, the ex-Chancellor of Germany, to tell the commission what had happened over there and what should happen here. I asked Mr. Dunning if Bruening had come as an expert, and he said, no, as a witness. Nevertheless he came to illuminate the minds of the commissioners. One of them was coach to the present leader of the opposition when he was premier of the province of Manitoba. All sorts of men came before the commission. And what was the purpose of the commission in drafting its report? The purpose was precisely to annihilate the provinces, and I am surprised that a clear-sighted man like the leader of the opposition did not realize that when he bestowed such praise on the commission. I remember, and I mentioned it in the house in February, 1941, that in January of that year on the eve of the meeting of the dominion-provincial conference at Ottawa I heard a professor from Queen's in one of his broadcasts saying: We should not have ten countries in Canada, ten small independent nations—and he had a word of contempt for the ten small countries—we should have only one big country.

I can tell the hon. gentleman that I am very glad that the government was a little cautious about implementing that report, because if one were to take for granted what he said on January 14, 1941, nothing would be left to the provinces; they would be completely destroyed; for they would have no powers of taxation. It is dangerous to listen to bad counsellors, bad advisers; and when I say that to the hon. gentleman who leads the opposition I mean it, and I make a great distinction between himself and the board of strategy of his intelligentsia in Toronto. I am sorry for him that he listens to them, that he is guided by them, that he becomes a tool in their hands. And when I speak of his board of strategy I do not include Mr. Drew.

I come to federal politics. As, five years ago, the present leader of the opposition spoke as the premier of his province, to-day he spoke in this house as the leader of a great dominion party—using "great" in a manner of speaking, but there are still great men in it. And if the Conservative party—call it "Progressive Conservative", "Tory", or what you will—is not stronger to-day in this country, it is because the hon. gentleman has listened to the voices of those who, though they cannot be elected by the people of Canada, continue to run the group. I regret that that is so, because they are bigoted and narrow-minded, while the hon. gentleman himself is broad-minded and is not bigoted. Those men are responsible for the division which exists in this country. If the hon. gentleman spoke

to them with the same aggressiveness and forcefulness as he spoke to-day in this house I am sure there would be no more articles in the Ontario papers against the province of Quebec. It is pretty tough to listen to the predicants of national unity. National unity does not exist in this country. It is unfortunate; no one regrets it more deeply than I do. Unity will exist when the two old parties get rid of those who, as I have proved to the house, pull the strings for their own benefit. These men have not the confidence of the people, and how can the leader of the opposition expect to regain the confidence of the people by listening to the Jonahs who have been rejected by the whale, rejected not only once, as was the Jonah of the old testament, but every time they faced the people? Even the big whale could not swallow them.

I heard the hon. gentleman speak of cooperatives. He has views on the subject, which no doubt I shall read about in the five o'clock papers. It was impossible to take a note of what he said. There may be some good suggestions in what he said on that subject, and if so they may be taken into account by the government. But with regard to the wheat pools he knows very well that the price which the grain growers get for their wheat now on the London market is $1.55.

Mr. COLDWELL: At Fort William.

Mr. HACKETT: London is a different story.

Mr. POULIOT: Yes, but there are subsidies. When I look over the border I find that the price of wheat is $2.15 or $2.18. The United States price is a little higher. That is because our trade channel is up a dead-end street, or a one-way street. I leave that for meditation by the hon. gentleman, who can draw his own conclusions and communicate them to his friends of the elevators of the west.

But how can the hon. gentleman complain about taxation and extravagance? Here are the first two points emphasized in his amendment by the financial critic for the opposition:

(1) That the budget does not provide for tax reductions in the calendar year 1946;

(2) That the budget gives no indication of any serious attempt to eliminate extravagance or effect economies in the cost of government.

It was easy to practise economy, but once again the Conservative party has missed the boat. When the loan policy was brought to the house it was found that it was wrong. The Conservative party approved it. They approve anything that is going to be done for other countries. I am not so bigoted as to say that we should do nothing for others, but in one respect I agree with R. B. Bennett when he said "Canada first"; I believe that Canada should be served first and that others should be served by Canada only after Canada has been well served. So these gentlemen have not the right to complain about extravagance. I think of their own turpitude when they mention extravagance in their amendment. When I spoke of that in the house the newspapers had big headlines, "Quebec member opposed to British loan," thereby insinuating that the member for Temiscouata was anti-British. I am not anti-British, but I am pro-Canadian. I see in all papers "Quebec" members have done this, "Quebec" members have done that. Always Quebec. Well, I decided to visit English-speaking Canadians outside of the house—in the Ottawa valley, in the St. Lawrence valley, and along the Atlantic coast, to the great city of Halifax. There I repeated exactly what I have said in this house—and what I say in my own county—because I have no different language for the one or the other. When I believe something I say it, whether I am wrong or right, and I admit I am wrong when I am proved to be wrong; but that has not occurred yet. I have the happiest recollection of a meeting which I had the honour to address when I told my audience that what was lacking in the House of Commons was the Canadian spirit, which should be the inspiration of our legislation. I did not say anything unpleasant about my colleagues. I said of them, sir—and I included yourself—that they were a fine bunch of fellows, which is true. It is unfortunate however that men of good will belonging to all parties in the house very seldom succeed in having their serious and most valuable suggestions adopted. In some mysterious way success comes to those on the outside. When a member of parliament makes an academic speech it does not go any farther than the house; but if an outsider, who has the halo of an expert, becomes an adviser to the government, at once his word is gospel and he must be listened to. This is very dangerous.

I said a moment ago that the Rowell-Sirois commission was a fiesta of the intelligentsia. All the people that could be got together from all around came to give, not evidence, but presentations, and they suggested all sorts of things. Most of the time it was not in the public interest, but in their own personal interest, to present a fine bill, to be well paid, and to see the little job or the fat job on the horizon coming to them just as quickly as possible. That was the purpose.

How can the hon. gentleman who leads the opposition, and his supporters, complain about bureaucracy? The Rowell-Sirois report is the magna charta of bureaucracy in Ottawa. That

is the trouble, and if we wish to redress wrongs of the past we must undo the workings of the Rowell-Sirois commission and we must return to what we were before the adoption of that report in an oblique way.

I am not going to speak much longer, although I have much more to say; but I mention again the Canadian spirit. The Canadian spirit should be our inspiration, and I say to some of my colleagues who were born outside, but who are Canadians at heart, as well as to all those who were born in this country: imperialism is the political religion of men without a country. Imperialism does not appeal to youth and at the present time there are two ways which are open to youth, one of which lies in the way of thinking that characterized our forefathers. It is the red-blooded Canadian way, the basis of which is patriotism rooted in the land of birth or adoption, above everything else. That is patriotism. But patriotism has long since been discarded, to be replaced by imperialism and then by internationalism; and internationalism is the synonym of communism. And, I say to my hon. friends, the other way that is open to youth is communism. I am in direct contact with the people and I know what our youth are thinking. I know what the returned boys are thinking. I know what the boys who stayed at home and were busy in essential occupations also know. Those boys are better Canadians than previous generations, and by that I mean that they think more of this country than is evident here in this house.

Take for instance the question of the flag. The public sentiment has not been understood by those who have designed a monstrosity which has no meaning, because the purpose of a flag is to be the sign—the "ensign", or the sign—of a country, and of one country in particular, without any subjection or suggestion of hegemony in relation to any other country. I say public sentiment was not understood. It was not understood so well in this house, under this roof, as it is understood by the youth of the country, and I hope that when the time comes to make a choice, that choice will not be made in camera but in the open, so that the sentiments that are necessarily in the hearts of men of good will will appear, and youth will choose a real Canadian flag instead of the red flag with hammer and sickle.

Mr. SOLON E. LOW (Peace River): It is because the rules of the house forbid the Social Credit group moving an amendment that I wish to speak for a few minutes to-day in order to clarify our position both with respect to the motion and on the amendment moved by my hon. friends the Conservatives. I am sure hon. members will not feel that I am holding up the business of the house unduly if I take a few minutes to clarify our position. That would have been done had we been able to move a subamendment.

The Minister of Finance (Mr. Ilsley), speaking in this debate a few days ago, expressed his desire to reach as soon as possible a position where he could bring in a balanced budget. That desire is quite understandable and from the personal point of view it would be for him something of an achievement. It certainly is a goal that has been sought by nearly every Minister of Finance. Moreover, by balancing the budget the minister would remove a great deal of the criticism that is usually levelled at him by the opposition in this house and throughout the country. Pressure toward a balanced budget has always been strong, and that is particularly so after a vast spending spree such as is exhibited during a destructive war.

I should like to point out that grave danger is involved in the determination to balance the federal budget. That does not hold so true with respect to provincial budgets, but it does with respect to a federal budget, especially because there is another way out. The minister should take warning that any undue pressure or haste on his part to balance his budget might result in a period of deflation. If such a trend is induced through the demands of unthinking opposition to the government, then I say it is inevitable that Canada's gross national production will be forced down to low levels, and that means only one thing, a low standard of living, depression, bread lines and human misery in a land of potential abundance. The federal government should resolve to do everything within its power to see that Canadian production of all kinds is kept at a high level. In my judgment, $11 billion a year is a reasonable minimum objective at the present time. The objectives should be revised from time to time as our productive capacity increases.

This government will come to realize sooner or later that balanced budgets will never meet the needs of a modern mass production economy so long as we continue under the system of financing which we now have. Balanced budgets in the federal field are bound to be restrictive in their effect, restrictive in every way. I refer to the traditional budget in which expenditures are brought within the revenues which the government expects.

I come now to the question of economy as it relates to the budget, and about which we have heard so much in the debate up to this day. Particularly I want to present it as it relates to a possible balancing of budgets.

The Social Credit group in this house has always advocated economy; but by "economy" we mean efficiency of expenditure and management within our country's ability to produce goods and services. We do not mean undue pressure to cut down expenditures, to bring into balance those expenditures with anticipated tax revenues. The weakness of the Conservative position, as I understand it from their amendment, is that they press strongly for reduced government expenditures; but, as has already been pointed out, at the same time they advocate increased services to the people. The only possible result of such a position is a period of depression, a period of deflation. As the Conservatives learn more about the weaknesses of our money system they will come to understand that this is so.

The weakness of the C.C.F. position is just what the Minister of Finance pointed out last Thursday. They advocate huge government spending, but their only suggested alternative to high taxation is government ownership of the means of production from which they say there will accrue to the government profits with which services will be extended to the people without higher taxation.

Mr. KNOWLES: Plus greater production.

Mr. LOW: An examination of the results of socialist rule in any country to this day will reveal the fact that while in many of these countries, notably New Zealand and Australia, increased social services have been extended to the people, they have been extended as a result of higher taxation. In no single country to this day can the C.C.F. demonstrate that the application of the socialist principle of government ownership has enabled the government there to extend social services without increased taxation. In her apology the hon. member for Qu'Appelle (Mrs. Strum)—and I took it as an apology on behalf of Australia and New Zealand—did enumerate the services that these countries are giving. I appreciate those services; I believe everyone appreciates to the full the increased services that those countries are giving. They have done very well in this respect, but it is only fair to point out that nowhere on the face of the earth are tax levels and per capita national debt so high as they are in those countries. What is more, even under socialist governments, economies have bogged down into periods of depression where great quantities of goods and services have wasted, while human beings have languished in want because they have not the means to buy.

Mr. McCUAIG: Where has that happened?

Mr. LOW: In Australia and New Zealand. I say that the C.C.F. position is very weak indeed and is certainly no comfort to debt-burdened, tax-ridden and freedom-loving people.

As a contrast to the other two opposition parties, the social crediters have been consistent in showing the government where the money is to come from. Whenever we have advocated increased services to the people we have repeatedly urged the government to exercise the sacred responsibility which was placed upon them by the British North America Act to have a financial commission, or in the alternative, the Bank of Canada, issue for them debt free all the purchasing power required by all Canadians to do their business. The Minister of Finance, the governor of the Bank of Canada, and many other authorities admit that this can be done scientifically; that it is simply a matter of which way the people choose. History records that many times this method has been used in the past to the entire satisfaction of the people. Even the hon. member for Ontario (Mr. Sinclair) who spoke just before one o'clock, can see how wrong it would be for people to go hungry when large quantities of foodstuffs are being utterly wasted in Canada simply because starving people have not the purchasing power with which to buy the goods. Even he could understand the action of his own government if they should create and issue to these people who are starving, who are in want, the amount of money which represents the value of these goods so that they could be consumed and the people kept from starving. I say, "even the hon. member for Ontario" in all friendliness.

The Social Credit party has been the realistic one, and it is now realistic. We know perfectly well that this time would be a poor one to create and issue additional new money. We have not advocated such a thing under present conditions of consumer goods shortage; we are not now advocating such a thing, but we have advocated more goods. Open wide the floodgates of production by removing every possible restriction to production so that goods and services can quickly come into balance with the money that is available to buy them. This is the only sensible way to meet the threat of inflation. It is the way we have consistently advocated. It is only when goods and services, not to come, but already in existence, cannot be bought by the people who need them, that we advocate issuing any new money, debt-free. But when we do suggest and advocate that it be issued we ask that it be issued in sufficient quanti-

ties to bring consumption and production into balance and keep them there. If that is done we will take the hills and hollows out of the economy over the years.

Social crediters have always declared that the bond-debt method of government financing is the most wasteful, inefficient and unfair method that can be adopted. To my knowledge—and I have searched earnestly for the information—its advocates have never yet been able to show that this system is anything but what I have already said: wasteful, inefficient and unfair.

I understand the objects of the bond-debt method of government financing; and I am speaking of it now entirely separate and apart from the taxation method. It has two objects. In the first place, its object is to encourage thrift, and with that I can quite agree. The second object is ostensibly to manage the money supply so that there will always be purchasing power in amounts to suit the needs of the people. The idea is that in good times, when things are going along swimmingly, the government will sell bonds, thereby withdrawing purchasing power and in some respects controlling the possibilities of inflation. In bad times the idea is to buy back the bonds and thereby put into circulation new money, thus increasing the purchasing power of the people generally.

A number of obvious weaknesses are apparent to anyone who will study this whole matter and its effects. When the government sells bonds, those securities will inevitably within a very short time find themselves in the hands of those who do not need the money to buy goods and services out of current production. I have already pointed out in this debate that if a mass production economy is to serve the people in this day, then mass production must be matched by mass consumption. I have also pointed out the poorly distributed purchasing power one would find in Canada if a survey were carried out, as a survey was carried out in the United States. Another speaker in this debate has pointed out the poor distribution of pent-up war-time savings upon which business is depending so much for future orders. I say that mass consumption cannot be brought about if large groups of our population find themselves without adequate purchasing power to meet their needs. Under such circumstances goods will be wasted.

The second weakness of the bond-debt method of financing is that it diverts investment money from the development of resources in our country into the sure-thing investment field of government bonds. We often wonder why we are not getting the development of Canadian resources we ought to have. It is simply because we are opening the door wide to investment in government bonds by offering the people a sure thing at a good rate of interest. That becomes a drain away from investment in the resources of the country, to the extent that our resources cannot be developed as they ought to be under private enterprise. Of course private enterprise is blamed. To many people socialism seems to be inevitable because of our failure to recognize this weakness of the bond-debt financing system. Correct this weakness and socialism will cease to become a threat.

The third weakness is that the system actually accelerates and aids maldistribution among our citizens. Only a few people during their lifetime can afford to buy government bonds or securities. The natural resultant of that is the fourth weakness. It creates a special social evil by making it possible for some men to live off the mortgaged toil of their fellow men. No man is entitled to that right.

The fifth weakness of the system is that it piles up burdens of unpayable debt, because of the high interest involved. I have already pointed out that even in peace time, when one would expect we might be able to do something about the matter, this country did not even pay the interest on the debt we piled up. From 1919 to 1939, roughly the peace period between the two wars, this country increased its debt by almost the exact amount of the interest payable on the debt, which simply meant that we could not meet the interest, let alone whittle down the principal to anything like decent proportions.

The sixth weakness of the bond-debt method of financing is that it makes continued high taxation necessary. When the Canadian people face the future realizing that every year they will have to dig up through taxation $481,000,000 for interest on the debt, they can see little hope for anything like a period of freedom, a period of full enjoyment of the resources of our country. The only way we shall ever be able to deal adequately with a situation of that kind is to change our method, to get at the balancing of the purchasing power in the country with the production of the country in another way; and that way Social Credit has consistently and constantly advocated. If some hon. members, as they have said, have been sitting in this house for years without coming to understand Social Credit, that is because they have not applied their minds to it. People who have applied their minds have found that the solution is sound; and once they see, they become ardent advocates and devotees of the principles we advocate.

Bond-debt financing stands condemned as a means of managing the distribution of purchasing power within our country. The best evidence of its failure is the fact that over the years since it was first introduced the economies of all nations that have adopted it have been torn by periods of disastrous, recurring depressions, and by increasing loads of debt and taxation upon the people. Let me repeat that when social crediters advocate any additional government expenditures we shall always help the minister by showing him where he can get the money without resorting to additional taxation.

Now, Mr. Speaker, just one word about cooperatives before I conclude. The social crediters do not waste their time in trying to bring the tax burden of everyone, including the cooperatives, up to the same high level. What we should all be spending our time on is in finding a means of bringing the load of taxation on all individuals and businesses down to the level of the taxes paid by cooperatives. We should be doing something sensible if we did that. Social crediters will do everything within their power to protect the cooperatives from injury through taxation; and we shall have more to say on the specific resolutions when they come up, following the vote on the budget. With the reservations I have already mentioned, the Social Credit group propose to vote for the amendment because of what it says and not because of what some people might interpret the wording to mean.

Mr. E. G. McCULLOUGH (Assiniboia): Mr. Speaker, the budget under discussion is perhaps the most unpopular budget ever brought down by a Canadian government. It is particularly unpopular with the average Canadian, who looked for a great deal but finds very little in the budget proposals to be happy about. While the minister refers to the severity of the attacks on the budget by members of this house, and perhaps feels that such attacks are unjustified, the leaders of the cooperative movement and cooperative associations across this country have used very strong language in their criticism of the budget proposals in regard to cooperatives. I have here, in the *Manitoba Cooperative,* an editorial entitled "Discrimination", which says:

> The viciousness of the proposed legislation contained in the 1946 resolutions is aimed at the eventual destruction of the cooperative organizations.

Taking into consideration the number of letters and telegrams I have received, I am sure the leaders of cooperatives across the country are unanimous in their opposition to the budget proposals in this connection. I could continue quoting from various articles along the same line appearing in the press, but I shall deal with this phase of the budget later on in my remarks.

I should like to compliment the minister on the very hard work he put into the preparation of the budget. My honest conviction is that no one in Canada has given more of his time and effort in the service of Canada than has the Minister of Finance (Mr. Ilsley). The most unfortunate thing is, however, that so much was expected of this budget and so little relief has come in the way of taxation or in the laying down of a real peacetime economy. It is like the old saying that "the mountain has laboured and brought forth a mouse".

At page 3589 of *Hansard* the minister says:

> The C.C.F. opposition has shown no concern about our expenditures.

He continued by saying:

> I enjoy listening to them; but they never come down to this: How would they finance? That is the question they never answer.

Hon. members have complimented the minister upon his capitalist budget. I agree that it is well-nigh impossible for any capitalist government to give anything little better than rationed poverty to the masses of the people, and still permit the legalized robbery of the farmers and workers of this country. A capitalist government is put into power primarily to protect capital, and so far in this country the voters have been successfully misled by people like Trestrail and have voted for capitalist governments. In Great Britain the people have decided, in the traditionally British and progressive way, to chart a new course. There they have voted in a government with an economic policy similar to that of the C.C.F.

Mr. MacNICOL: Nothing like it at all.

Mr. McCULLOUGH (Assiniboia): I did not hear anyone advocating, and especially before the last election, that Canada should follow in the traditions of Great Britain. However, among other things I wish to cover two main points. First, I wish constructively to criticize the government for its failure in governmental policy, and in regard to the present budget, for its failure for laying a basis of a high and enduring standard of living for our people, and to show them what can be done under democratic socialism.

Second, I wish to deal with some of the specific resolutions in regard to the cooperatives. I see that the minister is not in his seat at the moment, but I believe, if he will forget

the capitalist viewpoint, that I can illustrate the democratic socialist way whereby a high standard of living can be achieved for all our people.

At the very beginning of the minister's speech the other day he said, as recorded at page 3589 of *Hansard*:

> Most of the speeches have been directed to the urging of measures which would help here and there, but few of the speeches that have come from the opposition parties in this debate have taken into account the necessity of keeping within our means.

Again, to quote from his remarks at page 3596, he said:

> We can go ahead and incur huge deficits, and do everything that everybody wants for a while if we can get people to lend us the money.

These two statements coming from the minister seem like an echo of the pre-war Liberal government policy: Where is the money coming from? Much praise has been taken by the government for their war effort, instead of attributing such success to the efforts of the people, which have been magnificent. However, the people of the country, after giving their services for the winning of the war, and producing the goods of war, now find that they have tied to their necks a millstone of a national debt of $16 billion, and an annual tribute of around $481 million to the capitalist class of this country. I think, if a true answer could be given as to who has won this war, it would not be the returned serviceman who to-day is looking for a home and finds he has to pay twice what it was worth before he finds one, or the worker who is trying to fight for a decent wage. It would be the privileged few who have had cost-plus contracts, and who now greedily demand the same privileges of profit.

I wish to hasten to say here that I do not believe that all capitalists are terrible ogres without soul or conscience. But to-day, as down through the centuries, we are fighting a class struggle. Some of us are on the side of the common people, while some are on the side of special privileges. Since we have said this has been the war of the common man, then to interpret that into real victory it would mean that so far as Canada was concerned there would need to be, considering that we had relatively full employment during the war, at least the creation of 600,000 new jobs for the 800,000 people in the armed services. This would allow 200,000 to be absorbed through marriage, in the permanent army and in other ways. Then we could really say we had full employment.

These 600,000 new jobs would have to be in addition to jobs for those employed in war industry during the war, who would on reconversion have to have jobs. Nothing short of scientific planning can accomplish this, nothing short of the responsibility of the government realizing that everyone has a right to work, and accepting the principle that full employment means more jobs than applicants. This is not possible under capitalism. Capitalism can function only on a large float of unemployed.

I wish to bring two examples before the house, one of which is taken from the *Bankers' Magazine* of London for August, 1943. It states:

> Workers of the future will require fears of unemployment and poverty to ensure the necessary drive in this world of internal and international competition.

Another quotation taken from the London *Times* of January 23, 1943, states:

> Unemployment is not a mere accidental blemish in a private enterprise economy. On the contrary, it is part of the essential mechanism of the system, and has a definite function to fulfil.
>
> The first function of unemployment (which has always existed in open or disguised forms) is that it maintains the authority of master over man.

Under the capitalist system the minister has only two main sources of revenue, those of taxation and borrowing. The average person is burdened with taxes for this and taxes for that until he cannot stand any further taxation. Big business and monopoly are still running this country. They will be taxed pretty well just as much as they choose and no more. So that the minister is in a quandary as how to give old age pensioners superannuation at sixty years of age, how to give free national health services and still keep taxes down on big business and allow them their profit.

I have regard for the minister in his plight, but I am far more concerned about the people, tens of thousands of them, and more joining the ranks every day, who realize that if everyone was allowed to work and that if wages and prices were fair, every Canadian would be assured of a decent standard of living, that we could have adequate old age pensions at sixty years and free health care for all our people.

Let us look back over history. I said earlier that we have had a class struggle down through the ages. May I say that for scores of centuries the world's wealth producers were mostly the property of an owning class—chattels, slaves. Some one wrote that "next to the preservation of life itself, the craving for freedom is the dominating objective of all conscious life." Slaves wanted freedom and frequently rebelled. One such rebellion led to Sparticus, a slave gladiator, who defied

the power of Rome for about three years. When this rebellion was quelled, the fear-maddened owners used frantic cruelty. Along the Appian way, six thousand crosses were planted and six thousand slaves were nailed to them.

Changing methods of production and fear of rebellions gradually brought owning classes to adopt changes, first to serfdom, and then to the free wage serf. They reasoned something like this. Slaves and serfs must have enough of their own products to keep them in fit condition to work and they must also raise children to keep up the supply of workers. Why not give them full freedom and hire them for a wage that will allow them to buy their own living? We will give them the form of freedom. As long as we own the means of life, namely the natural resources and the machinery of production, transportation and distribution for the primary producer, we will hold ownership of the markets where they must buy and sell. By owning these, we can keep for our own use all they produce above what it costs them to live. We will let them imagine that they are free and we need no longer fear heavy rebellions. There you have the greatest hoax in all history. George Bernard Shaw, with his usual caustic wit, called this hoax "giving the workers the key to the street."

We have the form of freedom, but economically we are the slaves who produce our own living and also the luxury living of the owning class. In addition, we have built up, with the labour of our hands and brains, the great industrial, transportation and distribution systems that exist in the world today. We have done all this for slaves' pay and a wage for our labour and a price for our product that would on the average buy us a living.

The present great wealth producing systems are, legally—because the owning class have always been able to make the laws—the property of a small owning class. About all we own is the right to produce wealth when the owning class can use our labour or buy our products at a profit. If anyone should question this I would refer him to the labour disputes that we read about in the newspapers, where wage increases are demanded by workers and only conceded by employers when it can be proven that the cost of living has gone up. The fact that the workers are producing a large surplus above their cost of living wage does not seem to be considered much by either side.

I would remind hon. members that in Canada, of which we are all so proud, we have achieved in the past year our greatest national production of $11 billion. In the light of that, the standard of living in this country is disturbing. I have here the *Labour Force Bulletin,* put out by the Department of Labour, which shows that in 1945, excluding those in the armed forces, we had 4,256,000 people gainfully employed in Canada. In the *Canadian Unionist* of May, I find another table. By doing a little bit of arithmetic I find that of the 4,256,000 who were gainfully employed in 1945, those earning over $2,000 numbered 687,700, and the number earning $2,000 or less who were gainfully employed was 3,568,300. Subtracting those earning less than $2,000 but paying income tax from the total labour force, exclusive of the armed services, gives us 1,891,000 people or approximately forty-four per cent of the total population gainfully employed who do not qualify to pay income tax under the exemptions of $660 or $1,000 for single and married men respectively, and eighty-four per cent earn under $2,000. This confirms that even in this country we have not the freedom we should have when we are capable of producing a gross national income of $11 billion.

I have contended that a capitalistic government gets the money for social services and government expenditure mainly from two sources, by borrowing and taxation. I wish to illustrate how a democratic socialist government, such as the C.C.F. advocate, would get the money and how the standard of living of our people would be governed only by the availability of labour applied to our resources. In other words, what is physically possible would be made financially possible. The minister has challenged us on that. Let me illustrate by taking first the capitalist set-up and then what could be done under the democratic socialist set-up.

Let us take as an example, a large factory in a capitalist set-up. Here the owner pays the wages and other overhead in the cost of producing the goods. As an example, in a shoe factory the wages are paid, and taxes and overhead are all the responsibility the factory owner has. Then the owner has the legal right to all the shoes produced, less his costs. Under modern technology this means he accumulates wealth when he sells the surplus shoes, wealth which, unless reinvested, remains out of circulation. The owner can wear only one suit of clothes and one pair of shoes at a time, and even if he lives in the most riotous luxury he can spend only a small portion of his profit. Consequently huge accumulations of wealth become built up, which ordinarily are not reinvested and do not come into circulation. This means that under private monopoly huge accumulations of

wealth become centralized. The same is true of our large financial institutions where, through usury, money is accumulated and concentrated.

In this example of the shoe factory, which is typical of all modern factories, we have the workers receiving only a small portion of the total wealth produced. It is clear to see that, if we use this reasoning for all industry, huge surpluses of goods of various kinds are produced without aggregate wages paid to buy back what is produced. This in the past has been the chief reason for exporting. Countries have had to fight for world markets, sometimes going to extremes in the struggle for markets, even to the extreme, one might say, of attempting to sell woollen underwear to the Africans or longer shirttails to the Chinese. Eventually capitalism breaks down, and it is true that the last two great wars were fundamentally fought for markets. This sort of process under capitalism forces periods of economic stagnation and collapse, periods which are coming closer and closer together. Here, too, is the reason for unemployment and the failure of capitalist governments to give the opportunity of full employment.

Let me illustrate by another example. In the A. O. Smith body plant at Milwaukee, Wisconsin, 20,000 employees originally employed produced a unit of 10,000 car frames a day. Then, around 1930 they built a semi-automatic plant which required only 2,000 men to produce the same unit of 10,000 car frames daily. A few years later, a fully automatic plant was built requiring only 200 men, or a displacement, in the production of this daily unit of 10,000 car frames, of 19,800 men. This has taken place over some thirty years of industrial and technological development. Under the capitalist system the owner has no responsibility for those 19,800 unemployed men. They are thrown into the lap of the government and become its responsibility. So that to-day, even though it be argued that plant working conditions are the very best, where there is air conditioning, good hours of work and good pay, it is still essential to socialize such industries, because private ownership of these factories gives too much financial and economic control over the lives of our people.

The minister has said that no one has told him where the money is to come from. I think I can tell him where it would come from if the people owned these factories. The wealth, instead of belonging to a legally privileged class, would belong to the people.

Mr. MacNICOL: Would the hon. member suggest that, if the country were under socialism, plants should not be modernized and equipped with the very best and most up-to-date machinery that could be got to cut down the cost of production?

Mr. McCULLOUGH (Assiniboia): I absolutely agree that that should be done.

Mr. MacNICOL: Well then, what you have said just now does not bear out at all the answer you gave me.

Mr. McCULLOUGH (Assiniboia): Yes, it does. What we would use would be all the technological and scientific knowledge we have. We would be able to use these factories and these technological advances and improvements to have mass production, pay good wages in these factories, and have fair hours of work too. As I pointed out in giving this example of a shoe factory, when we had paid good wages to these people and sold enough shoes for that purpose, the shoes which remained would belong to the people, and, when they are sold, the money would go into the consolidated revenue of the country, and we would be able to provide social services, old age pensions and other things. There would be opportunities, for everyone willing to work at real jobs with decent wages. All would have a real incentive to work, and our national production would be governed only by the will to work. I do not think the minister can properly criticize this proposition of publicly owned enterprises or contend that they are less efficient than those privately owned, for I believe the Minister of Reconstruction and Supply (Mr. Howe) has said that government-owned plants operated more efficiently than private companies during the war.

Mr. MacNICOL: He never said any such thing.

Mr. McCULLOUGH (Assiniboia): In closing this part of my argument, let me say to the minister and to the government there has, in my opinion, never been a greater betrayal of the people than that of using the taxpayers' money in building up billions of dollars' worth of plant and equipment for war and then to scrap or sell them at fire-sale prices when these could have been converted to peace-time use and met the crisis of peace production as they met the crisis of war.

Instead of that, what have we to-day? Rather than enabling the small wage-earner to be free from income tax, so that at least we could have income exemption of $1,000 for a single person and $2,000 for a married couple, $50 a month for men over sixty years of age

and women over fifty and free health services for all our people, we now find the minister and his government trying unsuccessfully to balance the budget. As I said before, the interest alone on our national debt is approximately the total pre-war government expenditure. The present financial policy is ridiculous and stupid.

To-day there is nothing but unrest, nothing but fear of the future. The question arises, what could and should be done to prevent this?

First, the government should have set up a federal planning board representative of organized labour and farmers, industry and government. Scientific surveys should have been made to find out the productive need of the country; the potential productive capacity; possible employment in each field; proper basis of producer prices and wage levels, arrived at by negotiation. But what has the government done in this respect? It would seem that the only authority for planning is the wartime prices and trade board, carried over from the war. I have no quarrel with the personnel of this board, except to say this. If this board is to have power deliberately to raise farm costs and living costs without responsibility to parliament, I protest most strongly. We should have a national planning board with representation of organized agriculture and labour and industry and government, and this board should be responsible to parliament. Such a board, working in conjunction with the Minister of Finance, would be able to dispel the growing fears of our people and it would carry democracy into our national planning as never before.

As I have already said, the increase in exemptions allowed the people in the low-income brackets leaves the people no better off than they were a few years ago because everything has gone up to such an extent.

I cannot join in the optimism of the minister over his budget. I consider that such a budget will eventually lead to the government finding it necessary to protect big business by the government's emergency powers; it will find increasing unemployment, and unrest will force the government to use strong-arm methods to keep so-called law and order. To speak quite candidly, it will force the government to use measures of fascist tendencies; for fascism is only ultra-capitalism, capitalism in its last stages when capitalist forms of government are protected at any cost, where religious hatred or race baiting is thrown in to confuse the issue, but where, as I say, preservation of specilal privilege is the supreme purpose.

[Mr. McCullough.]

I wish now to deal with cooperatives. I want to add my voice to the strenuous objections taken by the leaders of the cooperatives across Canada in their criticism of the budget proposals in regard to cooperatives. Unless we can persuade the government to change certain of these proposals, it portends sinister things to come. Because of certain proposals, I feel, that the budget strikes at the very basis of cooperation and would cripple the cooperative movement across this country.

Some cooperatives have vigorously objected, and I am in agreement with them on the following five points:

First, the objection taken that the proposals ignore the basic difference between cooperatives and private business. The cooperative organizations stem out of the need of the people who have cooperated to give themselves, through cooperation, services of various kinds at cost which they could not have got in any other way. The great wheat pools have grown up because farmers found that only by handling their wheat could they get a fair share of the products of their labour. The pools were organized, and the farmers through the pool elevators gave competition to the private elevators. There were spreads of ten and twelve cents between street and track prices; and handling charges were excessive. Through their pool organizations the farmers have been able to reduce the spread between street and track wheat to about two cents, and to reduce their handling charges materially. We farmers who are members of the pool consider the marketing of our wheat part of our farming operations. We have production costs of summer-fallowing, sowing, threshing and handling. We consider the marketing of our grain part of our business. We feel that the net price received by us should be the only money taxable, that it should be computed as part of farm income and that there should be no duplication of taxation. I maintain that in a bona fide cooperative there is no such thing as profit. The budget proposals fail to ensure that such organizations are tax exempt and leave cooperatives in doubt as to where they stand.

I could mention the Saskatchewan oil cooperative. Here again the farmers and cooperators joined together to cut down the cost of oil to themselves by setting up a cracking plant, and refining and distributing oil to themselves, thus making savings.

Resolution No. 12 would repeal section 4 (p) which recognized the differences between cooperatives and non-cooperatives. It would

be serious if the government failed to define this difference. I criticize the government for not having introduced a national cooperative act long ago. Then there would be no doubt as to what constituted a bona fide cooperative.

My second criticism is the objection that the proposals force cooperatives to treat members and non-members alike. This strikes at the very heart of the cooperative movement. What justification can there be to force a cooperative to treat non-members who have not any financial or other responsibility for such a cooperative on the same basis as members?

I take strong objection to this, and the very least the government should do is to allow a cooperative the choice of treating members and non-members alike, or, as an alternative, withholding dividends from non-members and paying a tax on the amounts so withheld. If non-members received the same treatment, since there would be no incentive to join and old members would die off, it would not be long before a cooperative would completely disintegrate. This is a vicious proposal.

The third objection is this, that the proposals would prevent cooperatives from providing service at cost by forcing them to pay tax on not less than three per cent of the employed capital. This prevents members from putting their money without interest into cooperative enterprise. This, too, is a discriminatory measure. As an example, take the position of a farmer who wishes with his neighbours to start a cooperative oil business. These farmers have already paid income tax on such money and, unless private business is taxed on the same basis, this tax is certainly unfair and discriminatory.

My fourth objection is that such proposals would interfere with the right of the individual member to leave his savings with his cooperative, for provision of further service, by forcing payment in cash within six months. By this being done, according to my information there is not enough time allowed to provide a safeguard so that cooperatives could limit or conduct their business in case of emergency, or depression, or other hazards. We shall suggest changes in committee. However, I think most cooperatives would be satisfied if the royal commission report on this matter were effected, whereby directors would have the power in any one year to limit the amount paid to ten per cent of the total and, temporarily, to suspend payments of patronage dividends in periods of crisis.

My fifth objection is this: They propose that the minister may, in his discretion, discriminate as between cooperatives in the matter of retroactive taxation. In listening to the minister's speech and in reading it over, I am still at a loss, as I believe the minister and all members of this house are, to know what a bona fide cooperative is, and what cooperatives would be subject to retroactive taxation. Certainly no minister should have the right to decide mandatorily what is or is not a cooperative. The government has done a very great injustice in bringing in such proposals, which strike at the very basis of cooperation. It has failed to bring in a national cooperative act, defining a cooperative. Its failure to do this is as great as its failure to bring in a comprehensive national labour code. The people will not forget, unless the government repents and changes these proposals.

The house divided on the amendment (Mr. Macdonnell (Muskoka-Ontario) which was negatived on the following division:

YEAS

Messrs:

Ashby
Barrett
Black (Yukon)
Blackmore
Blair
Boucher
Bradshaw
Brooks
Cardiff
Case
Casselman
Charlton
Church
Daniel
Fair
Fleming
Fraser
Gagnon
Hackett
Hamel
Hansell
Harkness
Hatfield
Hazen
Henderson
Hlynka
Hodgson
Homuth
Jackman
Jaques
Johnston
Lennard
Lockhart
Low
Macdonnell (Muskoka-Ontario)
McLure
MacNicol
Marshall
Menary
Merritt
Murphy
Pearkes
Quelch
Raymond (Beauharnois-Laprairie)
Robinson (Bruce)
Ross (St. Paul's)
Ross (Souris)
Senn
Shaw
Skey
Smith (Calgary West)
Stephenson
Stirling
Stokes
Tustin
Webb
White (Hastings-Peterborough)
Wylie—58.

NAYS

Messrs:

Abbott
Archibald
Argue
Baker
Beaudoin
Belzile
Benidickson
Bentley
Bertrand (Laurier)
Bertrand (Prescott)
Bertrand (Terrebonne)
Black (Chateauguay-Huntingdon)
Blanchette
Bonnier
Bourget
Bowerman
Bradette
Bridges
Brown
Bryce
Campbell
Chevrier
Claxton
Cleaver
Cloutier
Coldwell
Coté (Matapedia-Matane)

Coté (St. Johns-Iberville-Napierville)	McCuaig
Coté (Verdun)	McCulloch (Pictou)
Croll	Macdonald (Brantford City)
Cruickshank	Macdonald (Halifax)
Dechene	McDonald (Parry Sound)
Denis	McGarry
Dion (Lake St. John-Roberval)	McIlraith
Dionne (Beauce)	MacInnis
Douglas	McIvor
Emmerson	McKay
Eudes	Mackenzie
Farquhar	MacKinnon
Fontaine	MacLean
Fournier (Hull)	Marier
Fournier (Maisonneuve-Rosemont)	Martin
Gardiner	Matthews (Brandon)
Gariépy	Matthews (Kootenay East)
Gauthier (Nipissing)	Mayhew
Gauthier (Portneuf)	Mitchell
Gibson (Comox-Alberni)	Moore
Gibson (Hamilton West)	Mullins
Gillis	Mutch
Gingues	Picard
Gladstone	Pinard
Glen	Pouliot
Golding	Power
Gour (Russell)	Probe
Gourd (Chapleau)	Raymond (Wright)
Hallé	Reid
Harris (Grey-Bruce)	Richard (Ottawa East)
Healy	Rinfret
Herridge	Robinson (Simcoe East)
Howe	St. Laurent
Irvine	Sinclair (Ontario)
Jaenicke	Sinnott
Jean	Smith (York North)
Jutras	Stuart (Charlotte)
Kirk	Thatcher
Knight	Townley-Smith
Knowles	Tremblay
Lafontaine	Tucker
Lalonde	Viau
Langlois	Warren
Lapointe	Weir
Laurendeau	Whitman
Leger	Winkler
McCann	Zaplitny—121.

PAIRS

(The list of pairs is furnished by the chief whips.)

Michaud	Ferguson
Parent	Rowe
Ross (Hamilton East)	Cockeram

Mr. MACDONALD (Brantford City): I was paired with the hon. member for London (Mr. Manross). Had I voted I would have voted against the amendment.

Mr. BREITHAUPT: I was paired with the hon. member for Danforth (Mr. Harris). Had I voted I would have voted against the amendment.

Mr. MARQUIS: I was paired with the hon. member for Charlevoix-Saguenay (Mr. Dorion). Had I voted I would have voted against the amendment.

[Mr. McCullough.]

Mr. LITTLE: I was paired with the hon member for Frontenac-Addington (Mr. Aylesworth). Had I voted I would have voted against the amendment.

Mr. ISNOR: I was paired with the hon. member for Colchester-Hants (Mr. Stanfield). Had I voted I would have voted against the amendment.

Mr. NIXON: I was paired with the hon. member for York East (Mr. McGregor). Had I voted I would have voted against the amendment.

Mr. LESAGE: I was paired with the hon. member for Kamloops (Mr. Fulton). Had I voted I would have voted against the amendment.

Mr. CLARK: I was paired with the hon. member for Kent, Ontario (Mr. Desmond). Had I voted I would have voted against the amendment.

Mr. LAPALME: I was paired with the hon. member for Argenteuil (Mr. Heon). Had I voted I would have voted against the amendment.

Mr. BRACKEN: I was paired with the Prime Minister (Mr. Mackenzie King). Had I voted I would have voted for the amendment.

Mr. ADAMSON: I was paired with the hon. member for St. James (Mr. Beaudry). Had I voted I would have voted for the amendment.

Mr. DROPE: I was paired with the hon. member for Northumberland, N.B. (Mr. Maloney). Had I voted I would have voted for the amendment.

Mr. COYLE: I was paired with the hon. member for Prince (Mr. MacNaught). Had I voted I would have voted for the amendment.

Mr. GRAYDON: I was paired with the Right Hon. Minister of Finance (Mr. Ilsley). Had I voted I would have voted for the amendment.

Mr. DIEFENBAKER: I was paired with the hon. member for Winnipeg South Centre (Mr. Maybank). Had I voted I would have voted for the amendment.

Mr. GREEN: I was paired with the hon. member for Vancouver North (Mr. Sinclair). Had I voted I would have voted for the amendment.

Mr. BLACK (Cumberland): I was paired with the hon. member for Gloucester (Mr. Richard). Had I voted I would have voted for the amendment.

Mr. KIDD: I was paired with the hon. member for Queens-Lunenburg (Mr. Winters). Had I voted I would have voted for the amendment.

Mr. WHITE (Middlesex East): I was paired with the hon. member for Middlesex West (Mr. McCubbin). Had I voted I would have voted for the amendment.

Mr. McMASTER: I was paired with the hon. member for Champlain (Mr. Brunelle). Had I voted I would have voted for the amendment.

Mr. KUHL: I was paired with the hon. member for Kings (Mr. Grant). Had I voted I would have voted for the amendment.

Mr. SPEAKER: Is the house ready for the question?

Mr. POULIOT: Mr. Speaker, for the same reasons I gave this afternoon for voting against the amendment, I shall vote against the main motion.

Mr. COLDWELL: I am going to ask that the main motion be put, Mr. Speaker.

The house divided on the motion (Mr. Ilsley) which was agreed to on the following division:

YEAS

Messrs:

Abbott
Baker
Beaudoin
Belzile
Benidickson
Bertrand (Laurier)
Bertrand (Prescott)
Bertrand (Terrebonne)
Black (Chateauguay-Huntingdon)
Blanchette
Bonnier
Bourget
Bradette
Bridges
Brown
Chevrier
Claxton
Cleaver
Cloutier
Coté (Matapedia-Matane)
Coté (St. Johns-Iberville-Napierville)
Coté (Verdun)
Croll
Cruickshank
Dechene
Denis
Dion (Lake St. John-Roberval)
Dionne (Beauce)
Douglas
Emmerson
Eudes
Farquhar
Fontaine
Fournier (Hull)
Fournier (Maisonneuve-Rosemont)
Gardiner
Gariépy
Gauthier (Nipissing)
Gauthier (Portneuf)
Gibson (Comox-Alberni)
Gibson (Hamilton West)
Gingues
Gladstone
Glen
Golding
Gour (Russell)
Gourd (Chapleau)
Hallé
Harris (Grey-Bruce)
Healy
Howe
Jean
Jutras
Kirk
Lafontaine
Lalonde
Langlois
Lapointe
Laurendeau
Leger
McCann
McCulloch (Pictou)
Macdonald (Halifax)
McDonald (Parry Sound)
McGarry
McIlraith
McIvor
Mackenzie
MacKinnon
MacLean
Marier
Martin
Matthews (Brandon)
Mayhew
Mitchell
Mullins
Mutch
Picard
Pinard
Power
Raymond (Wright)
Reid
Richard (Ottawa East)
Rinfret
Robinson (Simcoe East)
St. Laurent
Sinclair (Ontario)
Sinnott
Smith (York North)
Stuart (Charlotte)
Tremblay
Tucker
Viau
Warren
Weir
Whitman
Winkler—97.

NAYS

Messrs:

Archibald
Argue
Ashby
Barrett
Bentley
Black (Yukon)
Blackmore
Blair
Boucher
Bowerman
Bradshaw
Brooks
Bryce
Campbell
Cardiff
Case
Casselman
Charlton
Church
Coldwell
Daniel
Fair
Fleming
Fraser
Gagnon
Gillis
Hackett
Hamel
Hansell
Harkness
Hatfield
Hazen
Henderson
Hlynka
Hodgson
Homuth
Irvine
Jackman
Jaenicke
Jaques
Johnston
Knight
Knowles
Lennard
Lockhart
Low
McCuaig
McCullough (Assiniboia)
Macdonnell (Muskoka-Ontario)
MacInnis
McKay
McLure
MacNicol
Marshall
Matthews (Kootenay East)
Menary
Merritt
Moore
Murphy
Pearkes
Pouliot
Probe
Quelch
Raymond (Beauharnois-Laprairie)
Robinson (Bruce)
Ross (St. Paul's)
Ross (Souris)
Senn
Shaw
Skey
Smith (Calgary West)
Stephenson
Stirling
Stokes
Thatcher
Townley-Smith
Tustin
Webb
White (Hastings-Peterborough)
Wylie
Zaplitny—81.

PAIRS

(The list of pairs is furnished by the chief whips.)

Michaud — Ferguson
Parent — Rowe
Ross (Hamilton East) — Cockeram
Maybank — Diefenbaker

Mr. MACDONALD (Brantford City): I was paired with the hon. member for London (Mr. Manross). Had I voted I would have voted for the motion.

Mr. BREITHAUPT: I was paired with the hon. member for Danforth (Mr. Harris). Had I voted I would have voted for the motion.

Mr. MARQUIS: I was paired with the hon. member for Charlevoix-Saguenay (Mr. Dorion). Had I voted I would have voted for the motion.

Mr. LITTLE: I was paired with the hon. member for Frontenac-Addington (Mr. Aylesworth. Had I voted I would have voted for the motion.

Mr. ISNOR: I was paired with the hon. member for Colchester-Hants (Mr. Stanfield). Had I voted I would have voted for the motion.

Mr. NIXON: I was paired with the hon. member for York East (Mr. McGregor). Had I voted I would have voted for the motion.

Mr. LESAGE: I was paired with the hon. member for Kamloops (Mr. Fulton). Had I voted I would have voted for the motion.

Mr. CLARK: I was paired with the hon. member for Kent, Ontario (Mr. Desmond). Had I voted I would have voted for the motion.

Mr. BRACKEN: I was paired with the Prime Minister (Mr. Mackenzie King). Had I voted I would have voted against the motion.

Mr. ADAMSON: I was paired with the hon. member for St. James (Mr. Beaudry). Had I voted I would have voted against the motion.

Mr. DROPE: I was paired with the hon. member for Northumberland, N.B. (Mr. Maloney). Had I voted I would have voted against the motion.

Mr. KIDD: I was paired with the hon. member for Queens-Lunenburg (Mr. Winters). Had I voted I would have voted against the motion.

Mr. GRAYDON: I was paired with the Minister of Finance (Mr. Ilsley). Had I voted I would have opposed the motion.

Mr. BLACK (Cumberland): I was paired with the hon. member for Gloucester (Mr. Richard). Had I voted I would have voted against the motion.

Mr. McMASTER: I was paired with the hon. member for Champlain (Mr. Brunelle). Had I voted I would have voted against the motion.

Mr. WHITE (Middlesex East): I was paired with the hon. member for Middlesex West (Mr. McCubbin). Had I voted I would have voted against the motion.

[Mr. W. R. Macdonald.]

Mr. COYLE: I was paired with the hon. member for Prince Albert (Mr. MacNaught). Had I voted I would have voted against the motion.

Mr. GREEN: I was paired with the hon. member for Vancouver North (Mr. Sinclair). Had I voted I would have voted against the motion.

Mr. KUHL: I was paired with the hon. member for Kings (Mr. Grant). Had I voted I would have voted against the motion.

Mr. HERRIDGE: I was paired with the hon. member for Bonaventure (Mr. Arsenault). Had I voted I would have voted against the motion.

WAYS AND MEANS

The house in committee of ways and means, Mr. Macdonald (Brantford City) in the chair.

At six o'clock the Speaker resumed the chair and the house took recess.

After Recess

The house resumed at eight o'clock.

PRIVATE BILL

CONSIDERED IN COMMITTEE—THIRD READING

Bill No. 197, to incorporate Cooperative Life Insurance Company—Mr. Tucker.

FOOD AND DRUGS

PROVISION FOR LABELLING IN FRENCH AS WELL AS IN ENGLISH

Mr. L. PHILIPPE PICARD (Bellechasse) moved the second reading of bill No. 55, to amend certain acts in respect to the labelling and marking of foods and drugs.

Mr. GRAYDON: I should not like to deprive the hon. member of making a full explanation on the bill, and I am quite sure that he is prepared to do so.

Mr. PICARD: I must really thank my hon. friend for his kind attention to me. This bill has been standing in my name since the 16th of April and we have had a long time to consider it. Since that time I have received comments for and against the bill and have discovered there was a strong feeling in favor of it. With the permission of the house I will give an idea of the motives behind the bill and state its intention and purpose.

At the moment the public throughout Canada is protected against fraud, misrepresentation and so on, under the Food and Drugs Act and it is protected against injury to health under the Opium and Narcotic Drug Act. The

object of the present bill is to provide for those who do not understand the English language the same protection as is provided under these two acts for those who speak English. It might be said by some that the labelling prescribed under the act is not for the purpose of warning the public as to the danger of the drugs so labelled; but if we look at section 3, paragraph (b), of the Food and Drugs Act it will be seen that it gives the governor in council power to enact legislation concerning different matters having to do with drugs and food. Paragraph (b) says that the governor in council has power to make regulations:

> respecting the packaging and labelling of any article of food or drug and the design of any such package or label with a view to preventing the public or the purchaser—

I draw particular attention to these words:

> —being deceived or misled as to the character, strength, quality or quantity of the article.

And so on. What I intend by this bill is to make sure that the probably 2,000,000 people in Canada who are not conversant with English and who therefore are not protected, as is the intention of the law be protected by including after "labelling" the words "in English and in French." I do not think the wording of the clause is correct and, if ever my bill reaches the committee stage, I would ask a colleague to move a motion to change the wording to make it more effective. I would ask to have moved at the end of paragraph (b) the following proviso:

> Provided that if the governor in council makes any regulation respecting the labelling of any article of food or drug as above-mentioned said regulation shall provide for the labelling in the French as well as in the English language.

I would then have him move to strike from my bill the words "in English and in French" in the tenth and eleventh lines. That would make it clearer and more definite in its prospective application.

The next section of my bill, section 3 concerns the Opium and Narcotic Drug Act. Had I not been remiss in my duty I would have been here on Monday, May 20. It is often said that many members are away on Monday and Friday. Many will not admit it, but unfortunately I am forced to do so in the present case. I could then have proposed an amendment to the legislation that was passed by this house on that day to the same effect as I urge to-night, by moving to amend section 4 of bill No. 29, which now reads as follows:

> (b) no retail druggist shall sell, or offer for sale except pursuant to direction of a physician, any preparation referred to in paragraph (a) of this subsection unless there is printed in a conspicuous place on an inseparable part of the main panel of the label and wrapper of the bottle, box, or other container, and in letters of the same size and visibility as the directions for the use of the preparation, the full formula or true list of medicinal ingredients, and the following words: "It is unlawful to administer this preparation to a child under two years of age as it contains codeine and is dangerous to its life."

I should have moved that after the words "unless there is printed" there be added "in English and in French". However, on May 20 I was in my constituency and not in the house, and I have only myself to blame if I did not move my amendment then.

If it is judged by this house that it is wise to pass a law which forces manufacturers of drugs to warn the public that the preparation should not be administered to a child under two years of age, are we not just carrying on a humanitarian gesture by adding this same proviso, printed in the language of a large part of the population of Canada, a proportion of whom do not know the English language? I will not to-night enter into a long discussion about the rights and merits of the French against the English, or the inalienable rights of this or that section; no, it will not be such a speech; I am only asking that protection be given to those who, according to the laws of this country, are entitled to speak their language, that in respect of the warnings given under the Opium and Narcotic Drug Act and the safeguards provided by the Food and Drugs Act, they receive the same protection as is given those who know English.

I shall not enter into a long discussion of that matter. The point is just this, shall we or shall we not recognize that, in accordance with their undoubted rights, some people in this country are not bilingual? There are some who are not bilingual because they know only English; there are other who are not bilingual because they know only French. If those who know only English are protected under the law, why should not those who know only French be protected? I do not think anybody would suffer if such protection were accorded, and it would be in the interests of the health of a large number of people in this country.

Hon. members may wonder why I, who am not a physician, would worry about this; that I, who never attempted to ring the bell of nationalism or to build my following on arguing the rights of this or that minority—though I have done my best to defend and uphold them—should come forward to-night with such a bill? Well, it may be a long story but it is a childhood story. My father was a country doctor; or I should not say a "country" doctor because he was a physician

at Rivière-du-Loup, the nicest little city in the world, so well represented by the hon. member for Temiscouata (Mr. Pouliot). My father practised there for twenty-five years. At one time a client came to his office with his daughter, who was sick. My father prescribed a certain medicament; he had it in his own office; and at the time he was about to hand it to the patient's father he was called away to another patient and had to leave his home, so he said to this man, "You can read English. I give you the bottle, on which the dose is plainly and clearly written. Give it to the child according to those directions". He explained it to him in French, and the man, who could read English, went away. The health of the daughter improved; at least I suppose so, because my father was a good doctor. But some time later in the same home a young child got sick, and the girl's mother, the wife of the man who had received the bottle, did not read English, so she said, "If it was good for my other daughter, this seems to be the same ailment and I will give it to the child." But the medicine contained codeine or some such drug; the child got worse and my father was called in. When he came home my father, who was not one of these rabid nationalists, who was bilingual and had studied in England and in France, said, "Will the day ever come when both our people will have the same chance assured to them by law? Shall we ever have a law that will require the formulas on our medicaments to be printed in both languages?"

Later on, I happened to travel a bit, and went to Mexico, where, if I remember well, Your Honour was years ago. Travelling in that country and in Cuba, I saw that all the drugs imported to Cuba and Mexico, even those labelled on one side in English, had on the other side a label in Spanish containing a perfect translation, for which there was room enough on the bottles. That story of my childhood came back to my mind, and I investigated the field of medical preparations. I have discovered that, throughout the whole of Canada, probably thirty per cent of the drugs sold are labelled in both languages. This is due to the trade ability or good will of the manufacturers. It has taken time to reach that. I remember my father writing for this purpose to some of these firms, and now things have reached the point where I am assured by doctors that this practice is growing. An hon. member who is a physician and an English-speaking Canadian told me of seeing in Winnipeg a well-known drug the label of which, and not only the outside container, was printed in both languages.

As the matter stands at the moment, there being no law requiring protection for those who speak only French, we have chaos in the drug business. As I have said, in the whole of Canada only about thirty per cent of the drugs have directions printed in both languages. In Quebec, I would say the proportion is probably fifty per cent, and another fifteen per cent have outside labels in both languages, while the bottle is labelled only in English. So that you have four if not five ways in which these medicaments are labelled. Some issued by firms in the last five years are fully bilingual, which shows that it can be done without cost or trouble, besides being just and equitable to those who speak only French.

I have here an article from a certain firm. I am not advertising it; I am not selling its products; I do not know the proprietors; they are all nice people, but I do not care about any of them except, of course, when I need their products. One from Charles E. Frosst is called ostrogen. What it does I do not know, but anyway it is perfectly printed. The bottle is small; yet space has been found to put on it the formula in both English and French, and the warning as to how it should and how it should not be taken. These instructions are found not only on the wrapper but on a tiny bottle like the one I have in my hand, which shows that, with good will, there is no reason why any receptacle, however small, could not have the particulars printed in both languages.

Here is another bottle, even smaller, from Montreal, "Poulenc", a French firm which has opened branches in the United States and Canada.

Here we have a smaller container of "Gardenal", which I remember was mentioned in one of the answers given by the then minister when the Food and Drugs Act was proposed in 1920. It was stated that it was a narcotic and that the formula should be well printed or fully described. Anyway, on the package, small as it is, space has been found to put it in French and English, with the warning that it was a narcotic and should not be given without a doctor's prescription.

Here is one by a company operating in Switzerland, in Canada and in the United States, the CIBA company. This medicine I have here contains fully bilingual directions on the bottles, although they are very small. I chose the smallest bottles I could find to indicate that my proposal is a perfectly feasible one.

Here is another one, "Vick's" inhaler, made in the good city of Windsor, represented by my hon. friend the Secretary of State (Mr.

Martin), who is three-fourths French, while I am seven-eighths French. There is just a matter of one-eighth between us, because I had a grandmother who was half English, which makes me one-eighth English, while he had an Irish grandmother. This drug made in Windsor is fully described both in English and French, and as will be seen, the package is very small.

Mr. MARTIN: I am sure the hon. gentleman will permit me the observation that there is no doubt about the very high quality of that particular product.

Mr. PICARD: I am sure of that; it comes from the home of my hon. friend. I know he was interested in drugs years ago, because I found his name in a debate on the question in 1936 or 1938. So that I am sure he will approve of me to-night.

I have another preparation here, or rather only the box. The bottle was big and I feared to drop it. This one is known as Collyrium and has a bilingual container outside. Although the bottle itself is big, apparently they could find space only for English. It is written in French and English on the outside box, but on the bottle you find only English. That is what is called a concession to Quebec, to please the Quebec trade. There is a second wrapper which is intended specially for the purchaser in Quebec. Presumably, when he is outside Quebec he is supposed not to get sick. He does not even have to take aspirin tablets, because the makers of aspirin have not seen fit to have directions printed bilingually on the box or on the container but only on the Quebec cardboard.

Another preparation I have here is Alophen, which is put up by Parke, Davis.

Mr. MACKENZIE: Is that Toronto?

Mr. PICARD: Walkerville.

Mr. MARTIN: And also Windsor.

Mr. PICARD: This also has an outside carton which is bilingual, and on the inside there appears this: "To comply with certain pharmacy acts, this bottle is labelled poison." There is a space which is left blank; evidently they were not prepared to print anything in French on it. On the bilingual outside container they forgot to put what they stated on the inside about poison.

Here is another one, to show the house the chaos we are in. I am referring to Phillip's milk of magnesia in tablets. Let me assure the house that I am not advertising anything; I am a lawyer, and although I may not be prosperous in the legal profession, I have no intention of going into the advertising business. However, here you find everything in English except the dose. They have printed the directions for use in five lines of French, and that is something anyway, even if you do not know what the preparation is taken for. You may not know what it is intended for, but you know how much you should take.

Here is another one: Grove's cold tablets. The same thing applies here. There are directions for use. They do not tell you what it is for, and no doubt you buy it for the sake of obtaining the nice white cardboard box. You know how many you should take, but not what they are for.

I have here other samples, the great majority of which are labelled only in English. That is the admitted general practice.

Here is something else that might be a menace to health, which is put up in the United States by that other company which I praised a moment ago for being bilingual in respect of what they sell in Canada, CIBA. So far as the American end of this company is concerned, it is established at Summit, New Jersey. Of course there is no question of speaking French either in their house of representatives or in their state legislature. If French is used in that country it is used as a mark of culture by certain classes, as it is in most countries of the world. This preparation is printed in English, and of course there is no question of imposing French upon the Americans in their country.

However, this product is imported into Canada, it is supposed to be for adults only, and the caution is given that it should not be used by individuals suffering from heart disease or thyroid disturbance except on the advice of a physician. This comes into Canada and no one is protected who does not speak English. Let us note that if there are two million people in this country who do not speak English, there are many more millions who do not speak French. Nevertheless, those who do not speak English have no protection so far as this preparation is concerned, while their English-Canadian compatriots are protected.

I suggest that if it is our desire to carry out the intent of the law it would be well for us to see what was stated in 1939 when the law was modified. At that time the hon. member for Quebec South (Mr. Power) was Minister of Pensions and National Health, and as reported at page 331 of *Hansard* of 1939, he made this statement:

Means are being sought—

That is, in the amendments which he was proposing at that time.

—to make more effective the restraints upon misrepresentation in the marketing of foods and drugs.

But how can there be misrepresentation if you do not represent anything? If the cover of a container is blank to the one who reads it, no matter how cultured he may be in some other language, obviously he does not know what is represented in those printed words. The printed matter should appear in such a form that he can read it. Again, at page 822 of the same volume of *Hansard*, the minister said that the object of the amendments was:

To improve the statutory means for protecting the purchasing consumer against injury to health—

That would apply to the Opium and Narcotic Drug Act, which does not make it compulsory to state explicitly that the drug is not safe for any child.

—and against deception in food and drug products.

The aim of the act, according to the minister at that time, was to protect the consumer against injury to health. Injury would result if a young boy, whose parents did not read English, administered a drug to him in the absence of any caution printed in both languages. To attain the objects which the minister stated, authority was then sought:

to deal in greater detail with matters such as packaging and labelling, advertising, adulteration and the use of dangerous materials.

I remember that in 1939 the hon. member for Vancouver South (Mr. Green) told the minister about someone who had bought rat poison which somebody had eaten because there was no proper label on the container, and the minister assured him that under the act as it was then being amended labels would be printed in such a way that no one could possibly mistake rat poison for food. The hon. gentleman who told about the incident was apparently satisfied because his objection was limited to pointing out that particular case. But if it is considered necessary that a label should be printed in such a way as to ensure the protection of people who read the caution in English, why should not the same safeguard be afforded the two million people who do not speak English and who have the same rights under the law?

I am not going to take up any more of the time of the house, but I would appeal to the good will of all hon. members in this matter. Should, by chance, this bill go to a committee, I will bring in amendments to improve the law so as to provide for bilingual labelling so far as drugs only are concerned. Through inadvertence. I worded my bill in such a way that it would apply to foodstuffs as well. I do not wish to go that far, for the moment at any rate, because it might force some small British Columbia salmon packers who market their product on the west coast of the United States and Canada to have their labels printed in French as well as English, and I do not suggest that that should be done, any more than I should like to have the people in my province who are packing small fruits for sale in neighbouring villages compelled to print their labels in both languages. My suggestion is that it should apply only to drugs. I assure the house that my intention is neither narrow nor nationalistic, but it is just for protecting our people that I wish to see these labels printed in French as well as in English. My object is to ensure the protection of those who speak only French, just as those who speak English are protected. I appeal to the minister and to the house to approve the principle involved, and if we get in committee I will propose the amendments necessary to bring the bill more in line with its aim.

Hon. BROOKE CLAXTON (Minister of National Health and Welfare): The hon. member for Bellechasse (Mr. Picard) has given us a delightful speech in favour of this bill, subject to such further amendment as he may be prepared to make if the bill reaches the committee. In his speech he made a number of points which were of considerable interest to hon. members. He produced a substantial array of exhibits. Last year we had hon. members producing fruit of various kinds and we were told this was not a fruit store. In another legislative place I remember seeing hon. members competing on the relative values of different types of club sandwiches, and since all the club sandwiches were juicy it created quite a scene.

The bill put forward by the hon. member must be considered on the text which is before us. Section 2 proposes an amendment which would enable the governor in council to make regulations respecting the packaging and labelling in English and in French of any article of food or drug. The existing regulations in force read in division 1, section 1, part A (1) as follows:

Every article of food or drug in packaged form sold or put up by the manufacturer or producer thereof shall be labelled.

That has been part of the law of Canada for a long time. It has been generally enforced to the satisfaction of the Canadian people. It is arguable that if the amendment means anything it means that, whenever any requirement is made regarding the labelling of any food or drug in Canada, the labelling should be in English and in French. It is also arguable that it may mean something else, but from what the hon. member said I would gather that it was his intention that

all labelling be in French and English. The hon. member has been good enough to say that that is not his intention so far as food is concerned. I think it would meet with the wishes of the members of the house and of the buying public in Canada generally that it should not be necessary to label all articles of food in French and in English. To do so would lead greatly to the inconvenience of everyone and to the cost of doing business. Therefore, if we restrict the provisions of the bill as the hon. member suggests that he would have restricted it had it been drawn so as to give effect to his intention, then it should be restricted to require the labelling of drugs. I gather from what he says that he would propose that labelling of drugs should be carried out in French and in English.

We now come to the question of different classes of drugs. First, we have narcotics, which are dealt with under the Opium and Narcotic Drug Act. This was amended at this session of parliament to make the sale of all narcotic drugs possible only under prescription. Therefore a very large class of cases which the hon. member has in mind is covered by the existing legislation. In fact the case which he mentioned where his father gave a drug to somebody which was not properly used was, I understand, a case where codeine was the drug. Under the existing law that could only be done on the prescription of a doctor. If a doctor prescribes a drug there is no requirement in any law that his prescription should be in French and English. The prescription is aimed at the person who asks for it, and if a person speaks French the doctor makes the label on the bottle or the druggist makes the label on the bottle in French, or if the patient speaks English, then it is put on the bottle in English, or the physician and druggist are not likely to continue to enjoy the custom of that particular patient.

This year we brought into effect a law under which all narcotics of every type can be sold only on prescription, except very small doses of codeine which must be mixed with other drugs and which would be very unlikely to do any harm to anyone. These very small quantities of codeine can be sold without a doctor's prescription, but they must have a warning label in one language or the other. I would suggest that the only possible application of the hon. member's suggestion to narcotics would be to that small class of cases in which it is at least arguable that unless considerable quantities of the medicine are taken there would be little harm, even to a small child.

Then there are drugs other than narcotics in respect of which there are labelling provisions of the act and of the regulations. These labelling provisions are designed to give any purchaser an accurate description of the contents of the bottle or box which he is buying. It is submitted in that respect we can leave the choice of language very largely to the good sense of the customer and of the manufacturing chemist or other person producing that particular medicine for sale. If he wants to make a sale of the medicine to persons who speak the French language, then he has to put his label in French or he will not be so likely to make the sale. If he wants to make it to English-speaking people, then he should put it in English or he will not be so likely to make the sale. In that respect it is very much the same as in the case of food. It is a matter where we can let the ordinary rules of customer-vendor relationship take effect so as to see that the person gets what he wants.

With regard to another class of drugs or medicines, namely poisons. the hon. member here is dealing with a matter which has been dealt with by the provinces. Every province has a pharmacy act. In Quebec the pharmacy act is chapter 267 of the revised statutes of 1935, and section 20 reads:

> It shall be unlawful to keep or sell any of the poisons named in the said schedule, unless the box, bottle, vessel, wrapper or cover, in which such poison is contained, be distinctly labelled with the name of the article and the word "poison" and with the name and address of the seller of the poison.

The schedule to the act has a number of medicines listed many of which would not ordinarily be regarded as poisons, but which undoubtedly, if taken in sufficient quantity, would poison anyone. That is the requirement of the Quebec law; and, I believe that there is a corresponding requirement in the law of every province. In no province is there a requirement that this important warning be put in both languages.

I would suggest to the hon. member that a large part of his case has been met by the amendment proposed this year to the Narcotic Drug Act which has been enacted, and that such part of it as is left should properly be directed at the provinces which, under these pharmacy acts, make certain requirements with regard to medicines which may act as poisons. So I would respectfully submit to the hon. member that in view of the amendment made this year and in view of the situation in the provinces, where they have laws in force, the matter should be reconsidered, to see if there is any case which should be covered by legislation and which is not now covered.

Just one word in conclusion, and it is this. I think it can be said that in the cases which have been drawn to the attention of our department where someone has been done an injury through taking some drug or medicine improperly or in excess, it is difficult to say that this has been due to any failure to read the label properly because it was not printed in both languages. In the majority of such cases the person taking the medicine could not read in any language because he or she was too young to read. I would submit that for every case where some injury has been done due to any failure to print the label in both languages, there are many cases due to the inability of the person to read in any language or to know what he is doing because of the age of that person; and there is no way in which laws can be drawn to safeguard infants of tender years against injuries done through negligence on the part of parents or doctors or druggists or others concerned with the handling of medicines and drugs. For our ultimate protection in regard to these matters we must look first, as we do, to the provincial laws regarding poisons, which I think are well drafted and adequately enforced and carried out; second, to the federal law regarding narcotics, which has been extended in consequence of legislation passed this year and is now, I think, effectively enforced; third, to the provisions regarding labelling, which I think to a greater degree in Canada than elsewhere are fairly enforced, to ensure that as far as possible a person buying a medicine knows what he is buying; but ultimately we must look to the care of all the people who have to handle these things, and for that care no legislation can enforce or replace that care entirely.

So, Mr. Speaker, in the light of the changes brought about in the situation this year since the hon. member introduced his bill, and in the light of the representations I have made that this is so largely a matter falling within the jurisdiction of the provinces, I would ask the hon. member if he would withdraw his bill and consider if there still remains some field which could be adequately covered by legislation of this house.

Mr. CRUICKSHANK: Did I understand the minister to state it was left to the province to decide whether articles of food as well as drugs should be labelled? I thought there was some misunderstanding, because any product of our province of British Columbia by its very pack is shown to be pure.

[Mr. Claxton.]

Mr. PICARD: I have noted the expression of views by the minister. I do not know that I could entirely agree with him when he says the existing laws have been applied to the satisfaction of everyone. I am sure his department has done its best, but those who could not understand the labels were certainly not as well satisfied as those who did understand them. Of course, when you come to the question of a warning I understand, as the minister says, that many provincial laws cover the matter; yet we are legislating here in a federal parliament, and I thought for once I might convince my colleagues to take this step toward improving the situation and amend the federal law as I suggest. The minister says the main thing is the provincial laws, and the care of people handling the drugs. It may be so partly, but we want to give them the assistance of having the labels printed in such a way that everyone can understand them. The minister later said the second point was the federal narcotics law, while the third point would be in regard to the labelling, but those are the two points I tried to cover in the bill. I should think it would be only fair that some such provisions might be made to cover them, and I am really surprised that the minister does not agree with me on this question of the protection of a large part of the population.

With all due regard to the minister's ability, I am not convinced by his argument on these points to-night. However, as I admitted myself, the bill covers more than I at first intended, including food which I did not desire to cover and would need many amendments in committee, and since it can be brought back at another session—and I do not think this parliament will be dissolved before another session—I shall dream on it and redraft it in the hope that next year the idea may have gained way, its fairness may be recognized and it may be given more favourable consideration by the cabinet and the house. In these circumstances, Mr. Speaker, I wish to withdraw the bill.

Mr. SPEAKER: Has the hon. member leave of the house to withdraw his bill?

Some hon. MEMBERS: Agreed.

Bill withdrawn.

Mr. SPEAKER: The list of private and public bills having been exhausted, the house will revert to the business under consideration at six o'clock.

WAYS AND MEANS

The house in committee of ways and means, Mr. Macdonald (Brantford City) in the chair.

The CHAIRMAN: When the committee rose at six o'clock it was considering the Income War Tax Act.

INCOME WAR TAX ACT

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

1. That for the 1947 and subsequent taxation years the present rules for computation of personal income tax be replaced by the following schedule of graduated rates:

On the first $250 of income or any portion thereof, 22 per cent per annum; or

$55 upon the income of $250; and 25 per cent upon the amount by which the income exceeds $250 and does not exceed $1,000; or

$242.50 upon the income of $1,000; and 28 per cent upon the amount by which the income exceeds $1,000 and does not exceed $2,500; or

$662.50 upon the income of $2,500; and 31 per cent upon the amount by which the income exceeds $2,500 and does not exceed $4,500; or

$1,282.50 upon the income of $4,500; and 34 per cent upon the amount by which the income exceeds $4,500 and does not exceed $6,500; or

$1,962.50 upon the income of $6,500; and 38 per cent upon the amount by which the income exceeds $6,500 and does not exceed $8,500; or

$2,722.50 upon the income of $8,500; and 42 per cent upon the amount by which the income exceeds $8,500 and does not exceed $10,500; or

$3,562.50 upon the income of $10,500; and 46 per cent upon the amount by which the income exceeds $10,500 and does not exceed $13,000; or

$4,712.50 upon the income of $13,000; and 50 per cent upon the amount by which the income exceeds $13,000 and does not exceed $18,000; or

$7,212.50 upon the income of $18,000 and 55 per cent upon the amount by which the income exceeds $18,000 and does not exceed $30,000; or

$13,812.50 upon the income of $30,000 and 60 per cent upon the amount by which the income exceeds $30,000 and does not exceed $50,000; or

$25,812.50 upon the income of $50,000 and 65 per cent upon the amount by which the income exceeds $50,000 and does not exceed $70,000; or

$38,812.50 upon the income of $70,000 and 70 per cent upon the amount by which the income exceeds $70,000 and does not exceed $100,000; or

$59,812.50 upon the income of $100,000 and 75 per cent upon the amount by which the income exceeds $100,000 and does not exceed $150,000; or

$97,312.50 upon the income of $150,000 and 80 per cent upon the amount by which the income exceeds $150,000 and does not exceed $250,000; or

$177,312.50 upon the income of $250,000 and 85 per cent upon the amount by which the income exceeds $250,000.

Mr. McMASTER: I desire to offer a few observations in connection with the first three paragraphs of the resolution, dealing with the income tax on private individuals.

Hon. DOUGLAS ABBOTT (Acting Minister of Finance): I am in the hands of the committee, but I wonder whether it would suit the convenience of hon. members if I were to make a brief explanatory statement on these various resolutions as they are called, and then other hon. members could offer their comments. If that meets with the wishes of the committee I might proceed in that way.

The first and second resolutions taken together give effect to the revision and simplification of the personal income tax structure, which is proposed for 1947. The single schedule of graduated rates set forth in resolution 1; the exemption of $750 for a single person and $1,500 for a married person, and the further exemptions for dependents set forth in resolution 2, replace the entire present personal income tax rate structure, which includes the following:

1. The normal tax of 7 per cent, which in the case of certain taxpayers is increased to 8 per cent at $1,800 and to 9 per cent at $3,000;

2. The tax credit of $28 allowed against normal tax for each dependent;

3. The schedule of graduated rates in the present law;

4. The $660 deduction from income, the $150 tax credit allowed for a wife and the $80 tax credit allowed for a child under the graduated tax;

5. The formula by which the savings portion of the total tax is calculated. While the refundable tax has not been imposed since 1944, the tax liability under the present law is still determined by calculating the total tax and deducting therefrom the savings portion to arrive at the actual balance of tax payable.

6. The family allowance recovery tables which were introduced as a temporary supplement to the present tax structure, to give effect to the principle approved by the house that the taxpayer should not benefit in full from both family allowance payments and relief for the same child granted under the income tax. As the committee will appreciate, there is a very real simplification of the personal income tax structure. The substantial benefits to the taxpayer arising from this over-all revision were fully explained in the budget speech, and have since been set forth in the house.

I wish again briefly to summarize those advantages:

1. Between 550,000 and 600,000 taxpayers will be completely exempt from taxation in 1947.

2. Including adjustments of family allowances, the total benefit to the taxpayers in the proposal will be $155 million, and relief

amounting to 25 per cent of our present income tax revenues, coming on top of the 16 per cent already allowed for 1946.

3. Of the total relief of $155 million, about 70 per cent will accrue to taxpayers with incomes under $3,000; 83 per cent will accrue to taxpayers with incomes under $5,000 and 90 per cent will accrue to taxpayers with incomes under $10,000.

4. Our exemptions under the proposal will be higher than those of any other English-speaking country in the world.

Mr. McMASTER: I think I can agree with the minister when he says that the method of computation has been considerably simplified. I would go farther and say that any change made would be almost bound to simplify the difficult procedure which has grown up under the act of making computation of the tax.

However, the tax still has to be paid after the computation has been made, and it is for us to examine just what change has been made, and who has benefited by it. I find that 30 per cent of the revenue obtained by the Dominion of Canada is obtained from personal income tax. Out of a total of $2,140 million the government expects to obtain from personal income tax the sum of $640 million. That is a substantial sum.

It is true that some 550,000 or 600,000 taxpayers will in the future not be bound to make out income tax returns. But a substantial number of low income taxpayers will still be bound to do so, and a substantial sum will be obtained from them. Taking the number of taxpayers in the report issued by the government for the year 1945, I estimate that 600,000 single men, each earning less than $1,500, will pay a total of $41 million; and 187,000 married men, without children, each earning less than $2,000, will pay a total of $10 million. Then, 110,000 married men without children, each earning between $2,000 and $2,500, will pay a total of $14 million, and 100,000 married men with one child, each earning less than $2,500, will pay a total of $5 million.

In other words, single men still paying taxes and earning less than $1,500, and married men earning less than $2,500 will contribute toward the taxes of Canada approximately $70 million. I would say that is a substantial sum contributed by the men in the lower income tax brackets.

The minister has just said that the exemptions are the highest in the world. That may be true, so far as exemptions for single men are concerned, and perhaps it is true, but only by a narrow margin, for married men. But it is not true so far as dependents are concerned, because in the United States the allowance for each dependent is $500, whereas in Canada, even taking the impact of family allowances into consideration, it has been figured out at approximately $300.

I must congratulate the officials of the income tax branch upon making out so well this list of percentages. It must have been done by a process of trial and error, because everything was arranged so that the allowance is practically equivalent to $300 for those in the lower income tax brackets. It gets slightly larger in those for higher incomes.

The people in the low income tax brackets who contribute this considerable sum of $70 million are also the people who contribute a great part of the other revenue.

It will be noticed that in introducing his budget the Minister of Finance pointed out, as indicated at page 2905 of *Hansard*, that we would receive $183 million from customs duties. I do not know why he estimated it so optimistically, because last year it was only $129 million. From the excise tax he expects to get $195 million, or slightly more than last year. Then, from the sales tax he expects $250 million, or an increase of about $38 million over the figure for the preceding year.

These people in the lower income tax brackets are the people with children, and they are the greatest buyers of the articles which are taxed in these other ways. The only taxes which to some extent they may escape are the corporate tax to an extent of $210 million, excess profits tax of $340 million, interest on dividends of $30 million, succession duties of $24 million and other miscellaneous taxes.

So that the people in the lower income tax brackets, those with large families, are still paying more than their fair share of the burden of taxation in Canada.

I believe I might now refer to paragraph (a) of resolution 3, where we find these words:

(a) Where the spouse has an income of more than $250 and less than $750 by the amount by which the spouse's income is more than $250.

That is, if a wife happens to go out and work her income will be deducted from her husband's exemption.

Mr. ABBOTT: I do not wish to interrupt the hon. member, but if we might discuss that when we reach resolution 3 it would be helpful.

Mr. McMASTER: I shall leave that for the time being.

As I have said, the income tax will be responsible for 30 per cent of the revenue of Canada in the coming year. Yet this revenue will be dependent entirely upon the amount of

wages the people in Canada will earn. I think the minister was optimistic when he estimated $620 million. I find that the total wage income for 1945 was about $5,200 million. That is a considerable sum, much more in fact than in the previous year, when it was only $4,790 million. I should think 1945 was a peak year. Let us go back to 1938, when the total income of wage-earners in Canada was $2,449 million. It was only $2,450 million in 1939 and in 1940. When we were having the effect of the war it was only as high as $2,860 million. Can anyone believe that wage-earners can pay $640 million out of income which may, and probably will, sink as low as that of 1940, which was a fair year? And yet, without this $640 million it will be extremely difficult to meet the ordinary expenses which are now over $1,200 million, and which are bound to increase in the future from the very fact that debt charges will increase, and the fact that, as it goes along, nearly every department of government is finding other ways of spending money.

It would be very pleasant if only the rich were to pay the taxes. I was interested to find from the government's own return that in 1945 which, to say the least, was a peak year, so far as earnings are concerned, only 17,000 people in the whole of Canada would acknowledge that they made over $10,000, and that only 7,800 of the 17,000 would admit that they made more than $15,000. One would almost think there must be something wrong. I would suppose there are hon. members in the house who might easily earn $10,000 a year. If they do, after they pay their taxes they must live in a humble and quiet way. Yet in Toronto—and I know only Toronto and these parliament buildings—there are many people who would seem to have more money than $10,000. Where do they get the money? If they are evading the income tax we should take measures to obtain it. If they are living on their capital, that is different. It may be that some of them are living on their capital because, as I recall it, attempts were made many years ago to estimate the wealth of different countries. At that time, in 1935, at the bottom of the depression the wealth of Canada was estimated at $25 billion. In 1928 it was estimated at $31 billion to $32 billion. What is it to-day? First of all, we have a debt of $16 billion, and perhaps we ought to add that to the $32 billion, which would make us worth $48 billion, if these debts that we owe to one another are part of the capital of Canada. I realize that this is a more or less hit-or-miss way of estimating the wealth of the country; but the wealth of every country was estimated in that way, the wealth of Britain, France, and the United States as so much, and the total wealth of Canada, as I say, was estimated at $32 billion at the highest point in our financial history. We might well stop and think that a country with a capital wealth of $32 billion and a debt of $16 billion requires drastic measures to reduce spending so that we may overtake this immense debt which we have. I know it is an internal debt that we owe to one another, and only a very small portion of it is external debt, but it all has to be met so far as the individual taxpayer is concerned.

I should like to say something about the trade of Canada. Everybody is always speaking of the necessity of Canada having foreign trade. I was surprised to see in the monthly review of statistics some figures as to the trade of Canada during the month of April last. Those are the most recent figures I have, although I believe that the minister had more recent figures. They have not come to me, nor are they in the library. I have not the very latest figures; I wish I had. I find that during the first four months of this year, according to the figures I have, the imports of Canada amounted to $555 million and our exports, $700 million. The exports are very fine, but how do our imports compare with those of the last eight months of 1945? The imports for the first four months of 1946 were $555 million and the imports for the last eight months of 1945 were $1,215 million. The exports during the first four months of 1946 were only $700 million, as compared with exports of $2,250,000 during the last eight months of 1945. In other words, a credit of one billion dollars in the last eight months of 1945 has dropped to a credit balance of less than $150,000,000 during the first four months of this year.

We must live on our exports. That is our profit, and our profit is fast receding according to the figures of our exports for the present year. We know a lot of our exports are goods that we are sending out of the country by way of gifts. I am not criticizing that, but since we are giving away a lot of our goods I say that we should have a large surplus of exports over imports. During the last eight months of 1945 we had a favourable balance of trade of $100,000,000 with the United States. During the first four months of this year we have an unfavourable balance of trade of approximately $150,000,000 with the United States so that we are very likely in the near future, if this trend goes on, to owe to the United States a large external debt which will have to be paid. We shall have to raise the money.

Mr. MacNICOL: Does that unfavourable trade balance make allowance for our gold shipments?

Mr. McMASTER: I do not think so. I think that is trade pure and simple. Any gold which we might export to the United States would hardly be for that amount, unless several years' accumulation were sent over at once. The largest amount of gold that we sent out of Canada in the most favourable year, as I recollect, would be about $200,000,000.

As I was saying, we shall have to raise the money. My suggestion to the government is that there must be other means of raising it than by taxing such a large percentage of the people's earnings. There is no doubt in the world that many people hesitate to work when in the case of a single man everything he earns over $750 is to be taxed at the rate of 22 per cent. The minister in his budget speech did not give the rates in other countries, but the Minister of National Health and Welfare covered that in his fifteen points—one more than President Wilson had—and he spoke of the larger exemptions that were allowed in Canada. But he did not mention how much higher our rates were, once the exemptions were taken care of. I find that the rates in the United States start at 17 per cent.

Mr. ABBOTT: At 19 per cent, I think.

Mr. McMASTER: The extra three per cent might bring it up to 19 per cent. I think the minister is correct. The rates in the United States then start at 19 per cent and ours start at 22 per cent. The rate is important to the man who pays the tax, much more important than the few dollars of exemption which he is allowed. I would say to the government that some other method of raising the large sum of money required must be found than simply taking the earnings of the people which they have acquired by hard work. There is not enough differentiation made between the man who earns his money by hard labour and the man whose income comes from investments which were acquired at a time when there was no large income tax. I cannot conceive of anybody ever becoming wealthy under our present income tax laws, especially on earnings from personal work. To-day we had before us a bill to raise judges' salaries, and I sat down with a pencil and figured that every dollar that we gave them in increased salaries amounted approximately to their income tax. So that their only hope of being able to get some personal benefit from the increase is in the reduction of the income tax. A man who makes $20,000 a year will pay $7,000 in income tax under this budget, and anybody who earns less than that has little or no prospect of ever being anything but a poor man. The difference between the wealthy and the poor will, as the years go by, be accentuated under the tax laws such as we now have before us.

Mr. KNOWLES: When I spoke in the main budget debate I devoted a good portion of my remarks to the schedule which is proposed in this first resolution, and I made it my contention that it was an unfair schedule on the ground that it gave more substantial relief to those in the upper brackets than to those in the lower income brackets. In support of my argument I gave the house four tables, which are found in *Hansard* at pages 3374 and 3375. I indicated in connection with each of these tables that my purpose in giving them was to substantiate my contention in different ways. My point was that whether one considered the net increase in "take-home pay" or the grading of the income tax rates into the upper brackets, or if one made comparisons with the past—and I took the particular year 1941 for reasons I gave—in all cases the point was substantiated that relief was greater for those in the upper brackets than for those in the lower income brackets.

My reason for rising to say a few words on this matter at this time is that when the Minister of Finance spoke in this debate on July 18 he did me the honour of paying some attention to the argument which I had made and to the tables which I had presented. I was not terribly surprised that he did not agree with the social philosophy behind my contentions, but there are some remarks I feel I must make with respect to his comments on my tables, particularly one of them which I shall come to in a moment.

First of all, the minister said as reported at page 3591 of *Hansard*:

> Whether his first table—
>
> Referring to mine.
>
> —has any validity or not is a matter of political philosophy, more than anything else.
>
> Mr. Knowles: Social philosophy.
>
> Mr. Ilsley: Social philosophy, perhaps. But I disagree so fundamentally with the whole basis of the argument he used that I do not think I need say anything further to indicate that fact.

Obviously it is difficult for us to get together there, but it is also clear that we are in that case arguing, not the rightness or wrongness of figures, but rather a difference in social philosophy. My contention was somewhat along the lines of the views advanced by the previous speaker, namely, that, when revising the income tax structure, more consideration should be given to those who need it most, namely those in the lower brackets. Then the minister said, with refer-

ence to my second and third tables which are found on page 3374 of *Hansard* for July 11:

The second and third tables are difficult to understand, and they do not indicate that there have not been substantial tax reductions.

Well, I never claimed for these tables that they do not indicate that there have been substantial tax reductions; the very opposite was the case. In fact, reference back to page 3373 will show that I said this:

It will be perfectly clear to hon. members when they look at these tables that the grading up of the rates was steeper under the old system than it will be under the new.

That was my point in presenting these tables, to indicate that there had been reductions all right, but that these reductions are more substantial in the upper brackets than is the case in the lower groups. That, therefore, was the purpose of these tables, even though the minister found it difficult to understand them. I really think that behind that statement was the position he intimated earlier, namely a difference in social philosophy.

However, I might not have bothered to take the time of the committee to reply to the minister if it were not for the criticism he made of my fourth table which appears at page 3375 of *Hansard* for July 11. This is what the minister had to say, at least in part:

Then, I wish to refer to the fourth table particularly, because of the rather striking statement by the hon. member as it is found at page 3373 of *Hansard* where it says—

And then the minister read a fairly lengthy quotation from my speech which I do not think it necessary for me to requote at this time. Having done that, the minister went on to say:

I said, when the tables were placed on *Hansard*, that I would not raise any objection to them, but that there was no admission as to the correctness of them. If they were incorrect, and if there were time to do so, an answer would be made, but the hon. member said he touched for their correctness. However, there is an error in table No. 4, not an arithmetical error, but a more basic error. The hon. member has applied the national defence tax only to the part of income over and above exemption, instead of applying the national defence tax to the whole income from the first dollar. Therefore his 18½ per cent is much too low, and the same applies to his other figures. That, I say, vitiates the table. My officials advise me that that is so.

Now, Mr. Chairman, I feel that I could carry on the argument as to the validity of the comparisons which I made, but that will get us nowhere because of our difference of viewpoint; and so, to meet the minister's argument, I have worked out two more tables. This time I have done what the minister said I should do, namely, include the national defence tax back in 1941 right down to the very first dollar. The tables which I have here I feel should be put on *Hansard,* and I hope that the committee will consent to their going on to save time. If not, I have not much else I want to say at this point and I can take the time to read them. But what shows from these tables is this, that even when the change is made that the minister suggested, it does not vitiate my argument. My argument, as I set it out on July 11 on the pages indicated, was that in the lower brackets the rates of taxation under the new schedule now before us will be higher than they were in 1941, but that in the higher brackets the rates will be lower. I did it before in my table 4 which appears on page 3430 in terms of percentages, and when I was doing it in terms of percentages of course I could do it in brackets: $2,000-$3,000, $3,000-$4,500, and so on. But to meet the minister's argument I have worked out new tables for specific amounts of taxable income, taking in in 1941 the total tax payable including the graduated tax above the exemption level and the national defence tax on the total income. When that is done it does make a slight difference in the figures and a difference in the point at which the change takes place. Under the tables worked out in percentages as I gave them before, the dividing line was at $3,000 of taxable income. The dividing line under this new way of working it out is at $4,500 of taxable income. But under this way of working it out as I now present it, giving the actual taxes in dollars, computing them from the table in this schedule one that is now before us for 1947 and taking the Statutes of Canada, 1940-41, chapter 18, for the 1941 column—taking them all together, it stands now that both as regards the single taxpayer and as regards the married taxpayer the actual amounts, getting away from rates, paid up to the level of $4,500 of taxable income are greater in 1947 than in 1941; whereas above that, up to the $30,000 level, which is as far as I have worked it out in these cases, the amounts of taxation to be paid in 1947 will be less than was the case in 1941.

Mr. ABBOTT: Is my hon. friend suggesting that the tax payable by a man with an income, let us say, of $3,500 in 1947 is greater than the tax paid by the same man in 1941?

Mr. KNOWLES: Yes. Does the minister refer to a man with an income of $3,500?

Mr. ABBOTT: I am taking it under the $4,000.

Mr. KNOWLES: The single man, or married?

Mr. ABBOTT: I take it the hon. gentleman is granting that the tax which the man will pay

in 1947, in dollars, is less than he would have paid in 1941 on the same income. Is that correct?

Mr. KNOWLES: No. I have before me the table for married persons, and the man making $3,500 would have $2,000 of taxable income in both years, because the exemption level is $1,500 in both cases. In 1941 the total tax payable on $2,000, including graduated tax above the exemption level and national defence tax on the whole $3,500, was $472.50.

Mr. ABBOTT: That is a married person.

Mr. KNOWLES: Yes.

Mr. ABBOTT: With no children?

Mr. KNOWLES: With no children. On $2,000 of taxable income, or a total income of $3,500, the amount was $472.50.

An hon. MEMBER: What was the rate?

Mr. KNOWLES: On $2,000 to $3,000 the rate was a total 28½ per cent, but you have to add to that the fact that that man paid 3½ per cent on the first $1,500 as well. However, to get back to the comparative figures, before we get too far down in the column, the same man in 1947 will pay $522.50.

Mr. ABBOTT: Has the hon. member the figures for $3,000 in his table?

Mr. KNOWLES: No, I have not the figures for every level. I have taken from $1,000 up to $30,000 at various intervals. I took the figures that came as close as possible to the levels at which they were broken off in the 1941 and 1947 schedules. I gave just now the comparison for the man making $3,500, which was $2,000 of taxable income. For the married man with $3,000 of taxable income, or a total of $4,500, the total paid was $757.50 in 1941 and it will be $817.50 in 1947. For the man with a taxable income of $4,500—that is, the married man—or a total income of $6,000, the amount paid in 1941 was $1,275 and in 1947 that man will pay $1,282.50. The amount is greater but the difference is narrowing down. The next figure is $6,500 of taxable income, which would represent $8,000 of total income; in 1941 that man paid $2,060, and in 1947 he will pay only $1,962.50. But the point is that he will pay less in 1947 than in 1941, whereas those in the lower brackets pay more.

Mr. McMASTER: Where does the hon. member get those figures? I am not trying to help the government on their income tax act, but the total individual income tax paid in 1941 was $103,000,000. Is the hon. member speaking of 1941?

Mr. KNOWLES: These were the rates in effect for the fiscal year ended March 31, 1942, and if my hon. friend will look it up he will see that the amount was larger.

[Mr. Abbott.]

Mr. McMASTER: I have it in front of me.

Mr. KNOWLES: I got my figures for that from the budget speech of the Minister of Finance in 1942, and the same figures were repeated in 1943. It was about $290,000,000.

Mr. ABBOTT: In his new table my hon. friend has jumped from percentage rates to dollar amounts?

Mr. KNOWLES: Yes, at the minister's suggestion.

Mr. ABBOTT: The first one was shown to be wrong and we shall have to check this one. I do not, of course, suggest that it was intentionally wrong.

Mr. KNOWLES: I was a little surprised, when I worked it out afterwards, at the way in which the minister had done this. I did not think it was up to his usual style of debating. He said:

> Therefore his 18½ per cent is much too low and the same applies to his other figures. That, I say, vitiates the table.

In other words, the minister made the statement that something else had to be taken into consideration.

Mr. ABBOTT: It did, didn't it?

Mr. KNOWLES: When I made my point I put the facts and figures before the house to prove it. The minister did not give figures to substantiate his position, and when I worked them out I found that it does not vitiate the argument I was making. But the minister had not checked it himself. His statement was:

> My officials advise me that that is so.

I should like to place these tables on *Hansard*. The first is a comparison of total amounts of income tax payable by single taxpayers at various levels as between 1941 and 1947, given in three columns. The first column is the amount of taxable income; that is, above the exemption level of $750. The second column is "1941—Total tax payable including graduated tax above exemption level and national defence tax on total income". The third column is "1947—Total tax payable under new budget proposals". Then I give the figures from $1,000 at the various levels, running to as high as $30,000. That appears under the first column. Under the second column, 1941, I give the figures, which run from $211.25 up to $14,456.25. In the third column the first item is $242.50 and it runs up to $13,812.50. My second table is a comparison of total amounts of income tax payable by married taxpayers at various levels as between 1941 and 1947. The first column is the amount of taxable income, that is,

above the exemption level of $1,500. The next column is "1941—Total tax payable including graduated tax above exemption level and national defence tax on total income", and the third heading is "1947—Total tax payable under new budget proposals". Under the first column I give figures from $1,000 up to $30,000. In the second column I give the figures which run from $237.50 to $14,482.50. In the third column I give the figures, namely from $242.50 to $13,812.50. It is hardly necessary for me to ask for unanimous consent to put these on *Hansard* since I have read practically the whole thing.

Mr. BRACKEN: If the hon. member will tell us the source of the basic figures he is using, I shall be glad on behalf of this party, to approve of the tables going on *Hansard*.

Mr. KNOWLES: Gladly. The source of the figures for the columns under 1947 will be found in the budget resolutions which are before us, or as they are contained in *Hansard* at page 2925. For example, I include the $10,500 level. It will be found that the tax payable on $10,500 of taxable income is $3,562.50.

Mr. BRACKEN: They are all official figures?

Mr. KNOWLES: These are the figures in the resolution now before us, which the Minister of Finance has presented. He has given the various points and what the amount is to be. That is the source of my figures for 1947. The source of my figures for 1941 is the statutes of Canada, 1940-41, parts I and II, chapter 18, which is an act to amend the Income War Tax Act. Included in that act will be found a schedule of amounts payable, similar to the one which is now before us. It is two or three pages long. I would rather not read it. It could be placed on *Hansard*, but that is hardly necessary; it is an official document and can be referred to by any hon. member. I would remind any hon. member who intends to work it out that he has to add to the amount of money which is called for here under the graduated tax, the national defence tax, which in most cases in 1941 was 3½ per cent. The yearly rate was boosted to 7 per cent, but for that year only half of it was payable. It means that in 1941 the single person who had an income of $1,750 paid this graduated tax on the $1,000 over the $750, but in addition to that he paid 3½ per cent on the whole $1,750.

Mr. ABBOTT: Was that not because it was in effect for only half of a year?

Mr. KNOWLES: Yes.

Mr. ABBOTT: To make a comparison of like with like the hon. member should calculate the national defence tax at 7 per cent. He should do that if he is comparing 1941 with 1947 to get a true percentage rate.

Mr. KNOWLES: If you do that it will make it even worse, because it makes the rates higher.

Mr. ABBOTT: Whether it makes it worse or not, you want to get a correct comparison.

Mr. KNOWLES: Right, and I suggest that the minister's proposal would not give a proper comparison, because you have to compare the actual taxes paid in the two years. That is the criticism the Minister of Finance made to me the other day, that I had to get down to the actual amounts paid rather than percentages. Therefore I say you have to compare the amount paid in 1941 with the amount paid in 1947. If, as some hon. members suggest—

Mr. ABBOTT: I do not want to interrupt, but—

Mr. KNOWLES: May I remind the minister that before we got to paying the full 7 per cent— that was the case in 1942—other changes were made. The $750 and $1,500 exemption levels were abolished and, instead we had the $660 level and deduction from taxation for wives and dependents, which makes it completely impossible to make any comparison between 1947 and 1942. There was also compulsory savings. But a comparison between 1947 and 1941 is valid, because in these two years we have the same basic structure, namely, the $750 exemption level for single people and $1,500 for married people, without the other complications.

I am prepared to answer any further questions which may be asked about the matter, but I do not wish to continue it further. Obviously the reason I raised it was that I felt the Minister of Finance was unfair in making the statement that he did on July 18 that this would vitiate my tables. I have presented these tables in reply, working them out as he suggested that I should, and they still support my contention that in the lower brackets the new rates are higher than was the case in 1941, and in the upper brackets the new rates are lower. The minister said the comparison with 1941 did not matter. I forget the words he used, but it is begging the question; these things do matter. The fact is that there were higher rates charged in 1941 in the upper brackets than are now being imposed. These rates went still higher in 1942. They went considerably higher in the upper brackets in 1942 than was the case in 1941. It would have been better for my purposes to have made the comparison with

1942 because of that situation, but I refrained from doing so because I felt that such a comparison was not proper for these other reasons I have given. The purpose of my rising at this time is to support with these tables and the others that I put on *Hansard* previously my contention that the schedule now before us gives more relief than it should in the upper brackets and consequently not as much as it should in the lower brackets.

Mr. ABBOTT: If the committee has no objection we shall put the tables on *Hansard* and have a look at them.

The CHAIRMAN: With the unanimous consent of the committee the hon. member may put his tables on *Hansard*.

Mr. KNOWLES: The tables are as follows:

Table 1

Comparison of Total Amounts of Income Tax Payable by Married Taxpayers at Various Levels, as Between 1941 and 1947.

Amount of Taxable income (i.e. above exemption level of $1,500)	1941 Total Tax Payable including graduated tax above exemption level and National Defence Tax on Total Income	1947 Total Tax Payable Under new Budget Proposals
$1,000	$237 50	$242 50
2,000	472 50	522 50
3,000	757 50	817 50
4,500	1,275 00	1,282 50
6,500	2,060 00	1,962 50
8,500	2,930 00	2,722 50
10,500	3,885 00	3,562 50
13,000	5,147 50	4,712 50
18,000	7,762 50	7,212 50
30,000	14,482 50	13,812 50

Table 2

Comparison of Total Amounts of Income Tax Payable by Single Taxpayers at Various Levels, as between 1941 and 1947

Amount of Taxable income (i.e., above exemption level of $750)	1941 Total Tax Payable including Graduated Tax above exemption level and National Defence Tax on Total Income	1947 Total Tax Payable Under new Budget Proposals
$1,000	$211 25	$242 50
2,000	446 25	522 50
3,000	731 25	817 50
4,500	1,248 75	1,282 50
6,500	2,033 75	1,962 50
8,500	2,903 75	2,722 50
10,500	3,858 75	3,562 50
13,000	5,121 25	4,712 50
18,000	7,736 25	7,212 50
30,000	14,456 25	13,812 50

[Mr. Knowles.]

Mr. LESAGE: Even if I share some of the principles of social philosophy of the hon. member for Winnipeg North Centre I cannot agree with him when he says that reductions in income tax this year are more important for upper income brackets than for lower income brackets. Before dealing with that, I think that we can agree on these principles of social philosophy. According to social justice, there are two main principles in taxation. The first one is that all government bodies must measure taxes to administrative needs. That is a duty and we must fulfil it even in spite of demagogic opposition. The general evolution in the world and in our country requires higher and higher budgets as far as ordinary expenses are concerned. My hon. friends who sit just in front of me will agree with that, and they are asking for more social security, and thus for higher budgets. The increase in population, the constant evolution in the world and social security add every year to the responsibility of the state. I do not see how we can go back; we must go forward. We cannot go back; we must follow progress. The greater the field of government action, the more numerous must be its administrative staff and the more effective must be the administration. All that requires more money. That means more taxes. Let us consider the question of taxes with a true civic spirit, having in mind—and I think it is important—that the income tax is the best way for the equitable distribution of wealth.

The second principle of social justice in taxation is that taxes must be proportionate to the citizen's resources. That is the principle I want to study and the application of which I want to look for in the resolutions of the budget we are now studying.

I said last year that taxes should be imposed on personal income only over and above the minimum necessary to each one, according to his own family responsibilities. What is strictly necessary for an individual or for an individual and his family must be exempted. What has been called the normal tax takes away from the citizen in the lower brackets of income what is strictly necessary. Such a tax is unfair and unjust, and I am sure that the people of Canada are satisfied that it will disappear.

What is the amount strictly necessary for a married couple to live in Canada at the present time, and what is the amount necessary to raise children? I say, the government's obligations being what they are, the total of such amounts, according to the needs of each individual, should be the non-compressible revenue for that individual.

At the present time what is the average cost in Canada of the necessities of life for a married couple? I could not find any statistics in this connection. I inquired of the proper authorities, and the only statistics indicated to me were those giving the estimated distribution of income recipients by income classes for 1942, which can be found in the appendix to a publication of the dominion bureau of statistics entitled, "National accounts, income and expenditures, 1938-1945." Table 2A of the appendix gives the estimated distribution of income recipients by income classes for 1942, excluding agriculture and the armed services. I submit that in order to obtain an average we can take this table, because on the one hand the revenue of the farmers is difficult to calculate or appreciate, for obvious reasons, and on the other hand the income of persons in the armed services in 1942 was only temporary. The table gives the number of married men in the various income classes without distinction between those who have children and those who have not. I took an average as accurately as I could and arrived at the figure of $1,441 a year as the average income of married men in Canada in 1942. I was unpleasantly surprised to find the figure so low, which goes to prove that the people with lower incomes must be protected and that their incomes should be increased by all means possible under present economic conditions. Since 1942 there has been an increase of about twenty per cent, which would give for married men in Canada in 1946 an estimated average income of $1,730 a year.

Let us assume that this figure is the average income of a married man in Canada in 1946. We may say that it contains, first, what is strictly necessary for his wife and himself; second, for an average of a little more than two children; third, that it includes also the income tax paid in 1942 and also the savings that were made, without counting any luxuries. If you take off all the other items, the total of what is strictly necessary for the married man and his wife will fall below $1,500. That is as accurate as I can get it with the figures at hand; and $1,500 is the exemption proposed in the budget resolution. I repeat that I am far from sure the amount is accurate, and I would urge the Minister of Finance, or the acting minister, to have a survey made every five years—and I think this is important—to learn the average cost of living in the cities of Canada in order to determine what is necessary to maintain single persons and married couples, and then children of various ages, so that after each period the exemptions may be revised accordingly. I said we should ascertain the average cost of living in the cities, because if we took a complete average it would mean an average of the whole country, which in turn would mean that the population of the cities, where the cost of living is highest, would be called upon to pay taxes on part of what is strictly necessary for their maintenance.

I now come to the children. I said last fall, and I repeat, that what is strictly necessary to rear a child should not be taxable. Here again we have no statistics for Canada. However, in 1938 a survey was made in the United States, and it was found that the annual cost of feeding and clothing children from one to eighteen years of age varied from $109.40 to $241.60. As I say, these figures include only the cost of food and clothing. If you add $125 as an average to cover the other expenses, and to cover also the difference between the cost of living in the United States in 1938 and the cost of living in Canada in 1946, you will arrive at an average of around $300, which is the exemption proposed for children in the present resolution.

As a matter of fact, taking into account the family allowance, the exemption is more than $300, especially in the lower income brackets. For instance, take a man with five children, earning $3,000 a year. If the exemption for his children was $300 each he would have an exemption of $1,500 for his wife and himself and $1,500 for his children. He would receive nothing and would have no tax to pay. Under the present system, however, his exemption for himself and his wife will be $1,500 and his exemptions for his five children will be $100 each or $500, which makes a total exemption of $2,000, leaving a taxable income of $1,000 on which his tax is $242.50. On the other hand, however, he will receive at least $312 in family allowances. Consequently his net income at the end of the year will be $3,069.50, all taxes paid; and that is a man with an income of $3,000. Not only will he have no tax to pay; he will have a surplus of $69.50 over his earned income. Take a man with five children, earning $2,000 a year. He will have no tax to pay. His exemption is $2,000, and he will receive $312 in family allowances. Who said the new system is not protecting families in the lower income brackets? Who will say that even with the tremendous expenses it has to meet the government is not giving to all, under the circumstances, a great measure of equality of opportunity? I congratulate the Minister of Finance on having set up a system of

personal income tax which protects the families, especially in the lower income brackets, and which imposes a tax only on the available income of the taxpayer after the necessities of life have been provided, according to his needs.

Before I go on, I should like to say a few words about the exemptions for children going to college or university. I submit that there should be no age limit of twenty-one and, in addition, that the cost of sending a son or daughter to university is so much more than $300 a year that a man should be allowed to deduct the actual expenses incurred in the education of his son or daughter falling within that category. Let him produce receipts, if necessary, but give him a chance. Taxpayers of average means cannot afford such advanced education for their children. However, I submit that those children have the same right of education that the children of rich men have. The interest of the state itself is to have the greatest possible number of advanced and educated men, and its corollary duty is to encourage young people and their parents to do so, in giving all classes of society equality of opportunity in that field.

Now that there have been corrected the two great injustices of the normal tax and of the uniform imposition of the graduated rates over $1,200, and now that there has been applied the sound principle of net income pressible income, according to family responsibilities, let us see what should be the distribution of the personal income tax on what is left over and above that minimum.

A distribution of justice requires that the rates be graduated. Let me only recall what the Master said about the poor widow. I am sure I do not have to mention to hon. members that passage in scripture which refers to the poor widow who had put only one penny into the fund, but was declared to have been the one who had given the greatest alms. As to the scale of rates, it should depend upon the needs of the state. There is no doubt that the rates proposed in the resolution are high. But the needs of the state are also very high and will still be in 1947. Let us hope that reductions will be announced in the next year's budget, and that such reductions will be made, especially in the lower rates of the scale, so as to ensure better distribution of wealth, and to promote further equality of opportunity.

I should like now to emphasize the importance of the reductions of personal income tax proposed for 1947. I have here a table which, with the permission of the committee, I should like to place on *Hansard*. It shows the distribution by income groups of combined tax reduction and increase in family allowance payments totalling $155 million in 1947.

Some hon. MEMBERS: Agreed.

Mr. LESAGE: The table is as follows:

Distribution by Income Groups of combined Tax Reduction and increase in Family Allowance Payments totalling $155 millions in 1947

	Dollar Reduction	Percentage Reduction
Benefit to 550,000 to 600,000 exempt taxpayers	$ 24 millions	100
Benefit to taxpayers still taxable having incomes under $2,000	45 millions	42
Benefit to taxpayers with incomes $2,000 to $3,000	40 millions	39
Benefit to taxpayers with incomes $3,000 to $5,000	20 millions	23
Benefit to taxpayers with incomes $5,000 to $10,000	11 millions	13
Benefit to taxpayers with incomes $10,000 to $25,000	9 millions	12
Benefit to taxpayers with incomes over $25,000	6 millions	10
Total	$155 millions	

Of the total benefit of $155 millions—
70 per cent is given taxpayers with incomes up to $3,000
83 per cent is given taxpayers with incomes up to 5,000
90 per cent is given taxpayers with incomes up to 10,000
10 per cent is given taxpayers with incomes over 10,000

Of that $155 million it will be seen in the table that the 550,000 to 600,000 who are exempt in 1947 will benefit to the extent of $24 million. Those still taxable and having incomes under $2,000 benefit to the extent of $45 million; those with incomes between $2,000 and $3,000 to the extent of $40 million; those with incomes between $3,000 and $5,000 to the extent of $20 million, and for those with incomes between $5,000 and $10,000 the reduction is $11 million. For those with incomes between $10,000 and $25,000 the amount is $9 million and, on incomes of over $25,000 it is $6 million. For those having incomes under $2,000 it will be seen that the reduction is 42 per cent; for those with incomes between

$2,000 and $3,000, 39 per cent; for those with incomes between $3,000 and $5,000, 23 per cent, and for those with incomes from $5,000 to $10,000 it is 13 per cent.

Mr. KNOWLES: The hon. member will admit that there are more of the people in the lower income tax brackets.

Mr. LESAGE: That is right, so far as I have given it.

Mr. KNOWLES: What counts is the amount the individual pays.

Mr. LESAGE: That is right when I talk about the dollar reduction; but when I come to the percentage it is not true, because 42 per cent is the average reduction for everyone. I do not say that $155 million is 100 per cent, and then take in the various brackets in proportion. I do not do that. I say that for people who are still paying income tax and who earn less than $2,000 a year the average reduction for the whole of that is 42 per cent, while the average reduction for incomes between $5,000 and $10,000 is only 12 per cent.

Mr. KNOWLES: Yes. I know what the hon. member is talking about, and I agree that that is right. But what counts is—

Mr. LESAGE: I will give my hon. friend the total figures. Of the total benefit of $155 million it is indicated that 70 per cent is given to taxpayers with incomes up to $3,000, and 83 per cent to taxpayers with incomes up to $5,000.

However, some taxpayers, a very few of them, who earn around $8,000 a year and who have six children or more, will not benefit by any reduction in income tax. Some of them will even suffer an increase of a few dollars in 1947 over 1946. It will be an increase of from $1 to $25. That is their net position, after taking into account family allowance.

Here is the explanation of that situation. Under the 1946 act, which is really the wartime statute introduced in 1942, with subsequent modifications, a liberal allowance was made for children in families with incomes between $4,500 and $10,000. This allowance, which quite substantially exceeds $108 per child, which most people assumed it would be, arises from the following provisions in the act:

(a) The allowance of $28 off the normal tax for each child.

(b) The allowance of $80 off the graduated tax for each child.

(c) The fact that at some levels of income the refundable portion is equal to one-half the tax, while at other levels it is equal to a certain proportion of income, which causes the tax value of children, expressed in net tax apart from refunds, to change.

(d) The refundable portion of the tax, where this is a percentage of income, is increased by one per cent for each child. In recent years and in 1946 the refundable portion is no longer payable, so that this results in an increased tax value of the child, that is to say, an additional allowance for the child.

(e) At present there is, of course, an arrangement for recovering family allowances paid to persons also getting income tax allowances for children.

On the whole, the tax value of children for incomes of over $4,500 in families of six children and over, is lower under the new law than under the old one. In most cases this difference is more than offset by the reduction in the total tax to which the parent is liable; but in a few cases the decrease in the tax value of the child is greater than the reduction in income tax that would otherwise occur. Consequently there is no reduction of tax, on balance.

To explain it with figures, the tax value of children for 1946, owing to the reasons I have mentioned, in a family of six children is as follows: $432 on an income of $1,200; only a few dollars more on $2,000; only a few dollars more on from $3,000 to $3,500; $550 on $4,000, and a little over $600 on an income of $4,500. Then it goes up sharply, reaching $1,100 at an income of $8,000.

In 1947 that line is levelled, and the tax value of the same children varies from $560 at an income of $2,100 to about $650 at an income of $8,000. The line for 1947 crosses the 1946 line at an income of $4,500, the tax value being there, I repeat, a little over $600.

All that means that justice has been done to everyone, that a disproportionate tax value for children has disappeared for higher incomes in that category, and that a fair and levelled tax value has been given to children in large families with incomes below $4,500. For the very few cases in which the net position in 1947 is worse than in 1946, I wonder if it would not be possible to have a proviso that in no case would anyone be asked to pay more income tax in 1947, after due deduction of the amount of the family allowances received, than he will have paid in 1946, in the same conditions of income and family obligations. It is only a few dollars, and if I were one who, upon filling out my income tax, found that in the same conditions and with the same income I would have a few dollars more to pay, I would not be pleased; that is certain.

If I had to pay more I would get mad and I believe that a few taxpayers will certainly get mad.

Many hon. members have spoken of the failure of the government to raise the exemptions for the lower incomes sufficiently high. I have already dealt with that, but let me add that with a population of 4,500,000 gainfully employed in Canada, only 1,800,000, or a little more than one-third, will pay personal income tax. I do not say that those exemptions could not be raised, but if they are they should be raised when it is also possible to reduce the rates of the graduated tax, especially on those with lower incomes.

Let us take examples which will show that for lower incomes the reduction is important. I have already given some for incomes of $2,000 and $3,000, with five children. Let us now take a man with an income of $2,250 and two children under sixteen years of age. For 1946, his net tax after receiving family allowances will be $72. In 1947—I am not making a comparison with 1941 because that is too far away and I think it is more fair to compare 1946 with 1947—his family allowances will exceed his income tax by $14. That is more than a reduction; he will have no tax to pay and will be actually $14 better off in earned income.

A man whose income is $2,500 and has three children under sixteen, will in 1947 pay $167.50 in taxes, but he will receive $194 in family allowances. His net position, therefore, at the end of the year will be a net income of $2,527.50. He will be better off in earned income by $27.50.

All the examples that one can take go to prove that, even with the high rates of graduated tax, we have attained a great measure of equality of opportunity in applying sound principles. Let us hope that with further reductions in the rates when government expenses fall, we shall attain a full measure of equality of opportunity.

Mr. FRASER: It has come to my attention that during the last few years taxpayers have gone to income tax offices in different parts of Canada and have had their income tax returns checked by the tax office and were told that they were correct, everything all right. They have then paid their tax, and then perhaps a year and half or two years afterward they get an account from the head office saying that they owe this, that or the other amount of income tax, which includes interest at five per cent from the time that they made their tax payment. I personally feel and I think the taxpayer feels that the department should not charge interest until at least ten days after the taxpayer has been notified of his assessment. If a taxpayer overpays he certainly does not get any interest back, and I do not see why the government should charge interest on accounts that they have already checked and stated to be correct. The reason for this practice might be that the people in the district offices do not understand the set-up as well as the head office does. After the district offices have made a ruling on the assessment and decided that everything is all right, the return then goes to headquarters. After examining the return, head office says, "That is not right." Back it goes to the district office, and they send out a notice of assessment to the taxpayer. I think that practice should be changed.

Every year I believe for the last six years I have asked for an income tax office to be established in Peterborough. The Peterborough district pays over one-third of the income tax that goes into the Belleville office, and although we have had one man in Peterborough in the last year with a helper, we should have an income tax office established permanently right in Peterborough.

There are other matters which I shall bring to the attention of the minister later.

Mr. ABBOTT: Perhaps I might now reply briefly to the first point my hon. friend raised in connection with assistance given to the taxpayer in preparing his return. Human nature being what it is, most of these taxpayers go into the district offices just a little time before the 30th of April, in the rush period, and ask for assistance in the preparation of their returns. That assistance is given so far as possible; but as the deputy minister has pointed out to me, the office has to employ everybody it can get and some of those taken on are not too experienced. Of course, as my hon. friend knows, the responsibility is on the taxpayer himself to make out his return and calculate the amount of his tax. The department endeavours to give as much assistance as it can, but the committee will realize that there are limitations on the number of staff that can be made available in the rush period toward the end of the year who are fully qualified to give such assistance.

I do not think it would be desirable to eliminate interest on the unpaid balance owing by a taxpayer until he had received a notice of assessment, at least until we are able to secure a more adequate staff than we have been able to obtain up to the present. It would require a very much larger staff to ensure that all returns would be assessed within, let us say, two or three months after they are filed. I do not think it is asking too much that a taxpayer should pay interest

on the tax which on assessment it is found that he owes. Members of the committee will see that there is a provision later on in the resolution to the effect that interest will not be charged over a certain period. That is the suggested amendment in this year's budget.

Mr. FRASER: I am glad to hear that. The minister spoke of a rush of returns being made at the last minute. But I know of cases where the returns were made to the district office a month and a half before the time of payment came due. This was in Hamilton, and the office had plenty of time to check the returns. It was not a case of a last-minute rush. It was a case of a mistake being made by the tax office.

Mr. MICHAUD: May I add a few words following the remarks and figures submitted to the committee by the hon. member for Winnipeg North Centre? As I understand his position, he takes the view that the reductions which will go into effect on the 1st of January next are greater in the upper brackets than in the lower brackets, and he submitted tables on the budget discussion and further figures to-day. While he was quoting figures, I took the trouble to do some figuring myself, taking as a basis the figures which were submitted by the Minister of Finance on June 27 and which have not been challenged. Dealing first with the single person group, I find that the reductions for single men earning an income of $850 will be 55 per cent and on an income of $1,000, 28 per cent. Of course the figures I am now giving to the committee may contain some errors, because they were calculated rapidly.

Mr. ZAPLITNY: Will the hon. member tell us the reduction from what year?

Mr. MICHAUD: 1946 to 1947. On the $1,250 income the reduction is 15 per cent; on $1,500, 13 per cent; from $2,000 and $2,500 up to $10,000 it varies between 15, 14, 16, 17 per cent; it goes up and down, but it hangs on around that figure. That is for the single person. If we turn to the married person with no children, we find this. In the first place, taxpayers with incomes of $1,250 and $1,500 will not pay any income tax next year, whereas they are paying in 1946, so that it is difficult to figure out the percentage there.

An hon. MEMBER: One hundred per cent.

Mr. MICHAUD: One hundred per cent; that is right. When we come to $2,000 income we find the reduction will be 40 per cent; on $2,500 the reduction will be 28 per cent; on $3,000, 22 per cent; on $4,000, 18 per cent; on $5,000, 16 per cent. So that as we go into the higher income brackets, the reductions are smaller; in other words, the reductions are greater in the lower income brackets.

Mr. KNOWLES: May I remind the hon. member that if the Minister of Finance were here he would probably tell him that he should not deal in these percentages, he should deal in actual figures. If he does that he will find that the figures increase as you go up.

Mr. MICHAUD: I cannot surmise what the Minister of Finance would tell me.

Mr. KNOWLES: That is what he told me.

Mr. MICHAUD: May I follow along by giving to the committee the result of a calculation in respect of taxpayers with two children. For those under $2,000 the net position is improved in every case, so that it is pretty difficult to figure the percentage there. The net position, taking into consideration family allowance, is improved by $14 in the case of a $1,300 income, to $73 in the case of the $2,000 income. The taxpayer earning $2,250 had to pay $72 in 1946, whereas in 1947 his net position will be $14. That is again a 100 per cent reduction. For a taxpayer with an income of $2,500 the reduction will be 63 per cent; for a $2,750 income, reduction 42 per cent; $3,000 income, reduction 30 per cent; for $4,000, 13 per cent; and for $5,000, 13 per cent. So it appears to me, as a result of these casual calculations, that the reduction is considerably higher in the lower income brackets and it decreases as we reach the upper brackets. This is the opposite conclusion to that reached by the hon. member for Winnipeg North Centre, and I submit it is the proper way to look at it, that is, the percentage reduction.

Mr. KNOWLES: Oh, no.

Mr. MICHAUD: Well, that is a matter of opinion; and when the hon. member quoted figures I think he took the initial position that the reductions were greater in the higher income brackets.

Mr. KNOWLES: That is true.

Mr. MICHAUD: And he should have argued on the reductions from 1946, but to prove his point apparently he went to the 1941 figures.

Mr. KNOWLES: The hon. member wants to be fair. When I spoke on July 11, I put on the record four tables. I spent most of my time to-night in dealing with the fourth, because that was the one which the minister challenged. But the first one is, "Net increase in amount of income retained by taxpayers after payment of 1947 income taxes as compared with 1945 and 1946". It is to be found on page 3374 of *Hansard*. I have the same

three columns which the hon. member has given, for the single person, the married person with no children, and the married person with two children. But instead of doing it in percentages I did it in the actual amount of money, which is what counts to the taxpayer.

Mr. MICHAUD: I was not in the house when the hon. member dealt with it then. At any rate, I want to put before the committee the results in terms of percentages, and the net result is a conclusion opposite to that reached by the hon. member.

Mr. KNOWLES: I should like to answer one question which the hon. member for High Park asked me while I was speaking and I was not able to give him the chapter and verse at the time. He asked me what was the total amount of revenue received from income taxes in the year to which certain rates applied, namely the 1941 rates which I quoted. He gave a figure of something around a hundred and some millions. I said I thought it was in the order of $290 million. I would now ask the hon. member to refer to *Hansard* of June 27, at the end of which is an appendix to the budget containing various papers. On page 4 of that appendix, in the first column, the first item is, "Tax revenue—individual income tax, including national defence tax", and the amount is $296,139,000. That was for the fiscal year 1941-42, which was the year covered by the rates that I was quoting.

Mr. McMASTER: I think that includes corporation tax.

Mr. KNOWLES: No; I am sorry. If the hon. member will turn up the page he will find that the corporation income tax is $185,836,000; it is just three items farther down in the column. He may have the figures for the previous fiscal year, but I am quoting the year which corresponds with the year the rates of which I was giving.

Mr. McMASTER: I will ask the hon. member to look at page 11 of the taxation statistics issued by the department, which was what I had in my hand when I was criticizing. I did not keep it in my head.

Mr. KNOWLES: I am looking at the official figures given by the Minister of Finance. I appreciate the support of the principles we have been advocating by the two hon. members on the other side who spoke, and I would say to my hon. friend who has just spoken that what counts to the worker is the "take-home pay" and not what you can do by dealing with percentages. I refer him again to my tables of July 11.

[Mr. Knowles.]

Mr. KNIGHT: Before this section carries, I should like to draw the attention of the acting minister to something which I think works hardship and injustice on certain employees. Perhaps I can explain this best by giving a specific instance. The one which was drawn to my attention was the case of a girl teaching in a country school who, in the course of events, submitted the amount of her income on the proper form to the department. At the same time her income was returned to the income tax department as being so much; I refer to the return on the form—I believe it is T.D.-1—which the employer uses to inform the department of the amount earned by the employee. The secretary of the school district in which the girl was working supplied his estimate of the amount of her income. She disputed that amount; she wrote to the school board and asked that it be corrected, but for some reason this was not done. I believe the secretary simply adopted the attitude that he had already finished with that matter and that as far as he was concerned he could not be bothered about it. So the girl was informed by the income tax department's local office that the only thing they had before them was the amount furnished by the employer, and since she was an interested party they could not accept her figure. However, they advised her to write to the employer and get the correct figure. Again she wrote and this time no notice was taken of the letter. The result was that the income tax people threatened to sue that girl for the amount and they had her frightened to such an extent that she paid the full amount although she knew she had not earned the income on which the amount was based. Rather than get into trouble she paid the extra amount. It was then that I received a letter about the matter, and it was finally straightened out so that she was given the refund and the matter was adjusted. I thought it was my duty to bring such a case to the attention of the income tax people in the hope that some provision might be made—I do not know how; that is their headache—to prevent that type of injustice occurring again where the employer is not willing to cooperate with the employee and with the income tax department.

Mr. ABBOTT: That would be a very rare case. Of course, the income tax inspector, or whoever it was, had no right to insist upon taking the return of the employer rather than the statement made by the young lady in her income tax return that that was her income. In the result, as my hon. friend has pointed out, the situation was cleared up and the

refund made. She is only liable to pay tax on her real income. If the employer makes a mistake and reports on T.D.-1, if that is the number of the form, that the income was in excess of the amount actually received, the mistake is his and not the taxpayer's, and the taxpayer is entitled to insist that the tax be paid only on the income actually received. This young lady no doubt did take appropriate steps later on to see that she was not charged more than she should be. It is one of the things incidental to administration. The law is perfectly clear. The taxpayer files his return and pays tax on that. If the return is incorrect the department is entitled to assess. It is not a case of the employer's word against the taxpayer's, but a question of what the amount actually received by the taxpayer was.

Mr. KNIGHT: There is no way, as far as I can find out or can presently see, for the department to ascertain what the actual figure was. If the employer has given a wrong statement and refuses to give another, who is to decide what the amount was?

Mr. ABBOTT: If the department under those circumstances insists on taking the employer's word as against the taxpayer's, the taxpayer has the simple recourse of filing an appeal within thirty days under the provisions of the act, and that takes the form of a simple letter appealing against the assessment. The appeal is to the minister and it would come in the ordinary course to the department at Ottawa. It would come to the attention of the deputy minister and the matter would be investigated. I think the case mentioned by my hon. friend, while it is an accurate statement of what took place in the circumstances, is exceedingly rare, because I suppose 999 employers out of 1,000 file correct statements showing the amount actually paid to the employee, and it is hard to imagine a case where it is called to the attention of the employer that he appears to have made a mistake that he would refuse to correct it or to reply to a letter. But that is one of the hazards incident to human nature.

Mr. SHAW: The hon. member for Peterborough West referred to interest charged on arrears where such arrears arise in consequence of an error in calculating the amount of the tax. What I have to say in that regard arises out of certain representations made to me by farmer organizations. As the minister is aware, the farmers of western Canada are at the present time just a bit disturbed, to put it mildly. Their feeling is not attributable entirely to matters relating to income tax. There is the price structure in relation to costs, over which the minister has no control. There is the cost of living, about which of course they are disturbed, because they have no faith whatsoever in the cost of living index, which ignores taxes, and quality or lack of quality of clothing, and so forth. There is some complaint about having to file tax returns. However, they knew that the law obliges them to file returns and that a day of reckoning would arrive. Therefore I am not saying anything about that argument of theirs. Many of them, however, make this statement: "We worked under extreme difficulties during the war when there were shortages, more particularly shortages of skilled help. We put in long hours, up to sixteen a day. We are not skilled in the art of completing income tax returns and often we have no time to go to points where satisfactory help could be secured. We did our best in computing the returns and we submitted them. We heard nothing about them for two or three years, and then we were advised that we had miscalculated and therefore owed the department one, two or three hundred dollars, and were charged five per cent on balances due."

The argument of the income tax branch has been this: "We have experienced a shortage of staff." Well, the farmer's argument is just as legitimate. The income tax people say, "We have inexperienced help," but the farmer was in exactly the same position. The farmer says, "These people have a specific task, namely, that of assessing returns, and we feel that we should not be penalized in consequence of their taking two or three years to notify us that we owe them two or three hundred dollars." Some got their 1943 assessments last year; some got their 1942 assessments last year, and personally I feel that they have a legitimate argument in asking for consideration as far as interest on unpaid returns is concerned.

The argument might be advanced that they are assessed interest only as from the date of assessment. That was what the minister was going to say, I have no doubt.

Mr. ABBOTT: May I point out that there is a resolution, No. 36, which proposes an amendment to the law with respect to the payment of interest on income tax. I think my hon. friend's remarks would be more appropriate there. However, he has got pretty well started and perhaps he had better carry on.

Mr. SHAW: It had escaped my attention that there was such a resolution, and if it meets the situation that exists, then I say, thank goodness for it.

Mr. ABBOTT: It will be more appropriate to discuss the question under that resolution. That was the point I was making.

Mr. SHAW: Someone has suggested that it applies only to returns filed in 1945 or thereafter.

Mr. ABBOTT: That is correct.

Mr. SHAW: Then, of course, that does not meet the argument because the great period of emergency was in 1940, and more particularly in 1941, 1942, 1943 and 1944. That is when we were deeply involved in war and when the farmer encountered his greatest difficulty in the matter of help. That is when he, in compliance with the request of the government, worked from long before sun-up until long after sun-down. However, I shall have more to say about that when we reach the appropriate resolutions.

I should like to say a few words in respect of the exemption for income tax purposes. We fully appreciate, as has been argued, that the government is in great need of revenue. Of course it is difficult for the single man who receives $14.50 a week to understand why he is still going to pay taxes on that amount. The government says to him, "Well, we need the revenue." Of course he advances this argument, and more particularly in some parts of Canada, "It certainly was not because of our advice that you used financial methods which piled up the colossal debt, colossal interest charges plus the other colossal fixed commitments, and all the other commitments that resulted." It is small consolation to the single man who receives $15 or $16 a week to be told whenever he encounters difficulties in getting along, "Just think of the government's great needs which are still greater than yours."

So far as the married man is concerned, if he receives $28.80 or $29 a week he is taxed. I do not know just what argument could be advanced, especially with the present increased living costs, and the higher taxes in every field including those on his own home, to convince this man that he should be taxed. It is hard for any of us to accept the argument that because of the great needs of the country we must retain our exemptions at such an extremely low level. Personally I gave a great deal of consideration to the demand for a $1,000 exemption for the single man and $2,000 for the married man. I stuck at it, simply because I have made certain budget calculations. I am not going to quote any figures, but it is an application of a bit of common sense to our living costs of to-day as compared with three, four or five years ago. The worst feature of it is that the cost of living is sky-rocketing to-day. That is taking place in spite of the controls. Any man who pays a bill will realize that his general cost of living has increased materially. He cannot be kidded by any 122 or 124 as the cost of living index. For example, the commodities of food and clothing make up the bulk of the purchases of the family man. So far as clothing is concerned, I say that the cost of living has gone up more than forty per cent, and the cost of foodstuffs generally has gone up an equivalent amount. To ask or to expect that we shall maintain in this country a decent standard of health and a proper mental outlook, while at the same time still imposing upon the $14 a week single man and the $28 married man these high rates of taxation, is to kid ourselves.

I do not wish to take up any more time at this moment, except to say that with respect to interest I shall watch the resolution referred to and if it does not grant the concessions which we believe the farmers are entitled to then I shall be obliged to occupy more of the time of the committee.

Mr. FAIR: Before this section is carried, I should like to refer once again to the question that is puzzling farmers to a great extent in my part of the country, namely taxation on money received from the sale of grain grown in the early years of the war. The farmers were compelled to store this grain because of the quota system which was in effect. Then, when the grain was sold in 1943, 1944 or 1945 they are compelled to pay taxes on the basis of the year the grain was sold rather than when the grain was grown. I should like to have a statement from the minister in that connection. I feel that if the grain was grown in 1940 and was stored because of the quota system in effect, which was not the choice of the farmer but of the government, then the grain should be assessed at the 1940 rate rather than that of 1944 or some other subsequent year when the grain was sold.

Mr. ABBOTT: I shall look into the question raised by the hon. member.

Resolution agreed to.

2. That for the 1947 and subsequent taxation years the following deductions from income be allowed:

(a) $1,500 in the case of married persons and persons allowed a deduction equivalent to that of a married person and $750 in the case of all other persons;

(b) $300 in the case of dependents not eligible for family allowances, $100 in the case of children eligible for family allowances and amounts not exceeding $300 contributed to the support of partial dependents.

Mr. McMASTER: Will the Acting Minister of Finance take into consideration the moving appeal made by the hon. member to my left with regard to raising the amount of tax exemption for each child?

Mr. ABBOTT: I shall take it into consideration, yes.

Mr. KNOWLES: If it were possible, of course, this is the resolution which some of us would be seeking to amend, but we know what the rules of the house do to us when we make such an attempt. I should like to ask whether any changes are proposed with respect to the definition of a married person. As the committee may recall, one of my complaints was that some cases of single persons were getting more benefits than married persons, but what I am thinking of now is not a single person who has no other responsibilities, but single persons who do have additional responsibilities, but who in the past have not been included in the married status. I have in mind widowers who are maintaining homes to keep their families together. I need not go into all the different cases which have been brought to the attention of the Minister of Finance and the department down through the years. Are any changes proposed?

Mr. ABBOTT: I remember the discussions which took place in preceding years. There is no change contemplated this year in the definition as to what will qualify a man or a woman as having married or equivalent status.

Mr. JACKMAN: In fixing the exemption for single people at $750, has the department ever endeavoured to analyse just how difficult it is for a single person to live in a city on that amount. May I suggest here that it is to a large extent in the cities where the income tax is most easily collected. The income tax is often said to be the ideal tax, but may I say to the minister that the income taxes are satisfactory only where books are kept and where there is an accounting. There are a great many people in Canada as a whole who do not receive their salaries from a corporation or business, and it is not so easy to ascertain whether or not they do have incomes. I sometimes believe that we put an overemphasis on income tax as the ideal form of tax. Perhaps there are other forms which are worthy of more attention than they receive.

To get back to the original suggestion as to whether or not the Department of National Revenue or the Department of Finance ever investigated the difficulty of an individual single person living in a city like Toronto or Montreal on the minimum exemption of $750 which is allowed under section 2, I have had a budget prepared by a young woman, in fact, by my secretary in Toronto, which is entitled "Cost of Living Chart for a Single Girl on a Weekly Basis." I think it is worthy of presentation to this committee because it does show—and I think the committee can pass on it as well as any person—whether or not an individual can live on this small sum of money, $750, before being subject to the first bracket of taxation of 22 per cent.

The budget is as follows: board and room for the week, $8. I do not think anyone will cavil at that amount being set aside for a single girl living in a large city. Car tickets, $1, which would provide just enough to take her to and from work, I think with one extra trip a week. Lunches, $2; that is, 40 cents a working day for lunch. Some people may think that is high for an average lunch, but occasionally they want a bit of variety, so that I do not think anyone will object to that.

Mr. MacNICOL: That is very low.

Mr. JACKMAN: I think so myself, but I shall leave it to the committee. This budget was drawn up on October 24 last, and no doubt prices have risen since then. Clothing, $4 a week; and I see in parenthesis, "and incidentals necessary to good grooming." Then doctor and dentist bills, including medicines, tooth paste and so on, $1. I see there is a note on this item, which says:

> Most people in ordinary circumstances go far too long without consulting their doctor; in fact it could safely be said that the majority wait until they experience symptoms of illness rather than have the necessary check-up. So to build up a needed reserve for doctor bills, hospital expenses, to take care of periodic check-ups with the dentist and to provide the necessary aids to good health, $52 a year seems little enough.

Then there is entertainment, club fees, educational and cultural advancement, at fifty cents a week. I do not think anyone will object to a small amount like that. Next is a rather large item which is perhaps not often met with: church collection and donations, fifty cents a week. We can cut that out entirely if hon. members wish; it is only $25 a year and would not do very much to disprove the point I am endeavouring to make, but personally I think most of us feel that fifty cents is not a large amount for church collection and donations, and certainly it is very much less than the tithe some people like to contribute. Then there is an item for a holiday fund, to provide for the two weeks it is hoped to get as holidays, which requires the saving of $1 a week throughout the year; and it is difficult to get holidays nowadays even for $50. These items total $18 a week; on a yearly basis the total

is $936, or $186 over the exemption of $750. I believe, after an examination of the individual items, hon. members will feel that they are on the low side rather than the high side. There is a deficiency, therefore, of $186 below the amount which I think can be considered a minimum; but if a person does earn $936 to cover this minimum budget the tax collector comes around and collects 22 per cent on the amount in excess of $750, or a total of $40.92, which I feel is too much to take from a person in that income bracket.

I shall not go into the budget for a married person endeavouring to live on $1,500 in one of our cities, but it is impossible to maintain anything like a Canadian standard on such a minimum amount of money. I wonder whether or not the tax collectors in setting such minimum amounts, have really examined the position of these people. It is quite true they come back and tell you that we are now carrying on a great many social services and that there are other expenses—

Mr. ABBOTT: They are the most generous exemptions in the world.

Mr. JACKMAN: Let us assume that our exemptions are the most generous in the world, as the minister has said. I shall not challenge his statement, but I wonder whether many of the things the government has undertaken are really wanted by the people who are just above these exemption brackets of $750 and $1,500; whether these people really want the things the government is endeavouring to provide for them, or the other things on which the government spends the taxpayers' money. It would not be so bad to provide all the things we do provide, to spend all this money on information services, film boards and everything else we think may be desirable, though expensive, if the taxes could be collected from those whose standard of living is not brought below a minimum which any member of this committee would consider decent. Therefore I feel that when the house is appropriating money we should realize that a large part of our revenue comes from single people who are just above the $750 bracket and from married people just above the $1,500 bracket. The government continually remind us of the amount of revenue that would be lost if the exemptions were raised to more reasonable standards. But I hope they realize that they are taxing people below what could be considered sufficient to maintain what we believe to be a minimum standard of living; and I suggest that we cut down expenses on many of the things on which we are spending the money of these poor taxpayers, these things and services which are not as necessary to them as is a little higher standard of living. That is one of the reasons why many on this side of the house feel that some better treatment should be given Canadian taxpayers in the very low brackets, by way of further exemptions.

Mr. BLACKMORE: Ever since the minister delivered his budget speech, I have been thinking that in 1941 Roosevelt and Churchill met somewhere in the Atlantic and agreed to an Atlantic charter. Two of the things against which the world was supposed to be guaranteed in that charter were want and fear. What we have succeeded in doing is guaranteeing to all of us want and fear. This is a most astonishing thing. From coast to coast in this country I believe the people are just haunted by want and fear.

The remarks of the hon. member for Rosedale would cause almost anyone to think seriously along this line. The hon. member could have gone on to point out several other things which are being overlooked. Let us suppose that a young girl finishes high school, goes to normal and then commences to teach. Let us suppose she has accumulated a debt of $300 in order to complete her education. This girl starts to work, we will say, at $750 or $800 a year. Suppose she cuts down the expenses mentioned by the hon. member for Rosedale by twenty-five per cent. In the first place, let the most brilliant man in the income tax department go to work and figure out how long it will take that girl to pay off her $300 debt. Then, let him figure out how long it will take her to save enough to provide for two or three years of additional education. In the case of a young man, how long will it take to prepare himself to be able to marry? How long will it take either the girl or the young man to provide anything like sufficient savings for their later years? In case this girl has an accident or must have an operation for appendicitis, costing perhaps $125, with a doctor bill of, say $100, how long will it take to pay off those bills?

I do not want to complain overmuch, but I think we are seriously neglecting a large percentage of the population to whom we ought to be giving careful attention. If we are going to impoverish the youth of the land and destroy their incentive, how shall we build that fine, high morale, which should prevail to make this a great nation? How shall we build in our young people a confidence that Canada is really the great land we all supposed she was?

Some serious thought must be given to this matter. It may be argued that the government must have money. I grant that, freely.

My own ideas as to where money can come from are well enough known to hon. members. I find that in a general way, when those ideas are even mentioned, the minds of hon. members close up, just like granite. It is high time members of the house began to open their minds a bit. Surely what can be achieved in the way of social services and many other things that are desirable, surely the extent of those services is not going to be limited by the amount of dollars we can wring out of our people by such oppressive taxation as is now inflicted upon them.

It ought to be clear to hon. members that to suppose that such a limit is the governing factor is only to be foolish. It is time there was different thinking in financial circles of this country. It is time we began to realize that the amount of money we can have depends upon the goods and services we can produce, and not upon the dollars we can wring out of the people's pockets.

If members of the Progressive Conservative party would begin to direct their attention along those lines instead of talking about economy all the time—

Mr. MacNICOL: I am listening.

Mr. BLACKMORE: —they would be on their way to real progress. If their thinking and their expressions should follow along the line that what is physically possible in this country must be made financially possible—

Mr. HANSELL: That is too much to expect.

Mr. BLACKMORE: —and if the Liberals would begin to think along the same lines they would begin to say, "That is good, sound, common sense. What is physically possible ought to be financially possible. How can we make that come about?" Then I think we would begin to look upon as a monstrosity such taxation measures as we are at present seriously contemplating in this House of Commons.

It may be argued that we have the most generous taxation system to be found. Well, that is no credit to us. The serious thing is the way we are afflicting the people who make this country their home. I believe I have said enough for the present. I shall probably have more to say later on.

Mr. MacINNIS: There are only four minutes to go, and I was wondering if I might use them by trying to say something sensible. I am inspired to speak, not by the hon. member for Lethbridge but by the hon. member for Rosedale. We both agree on one thing, namely that the exemptions in the lower income tax brackets are too low. If I understood the hon. member correctly, that is about the extent to which we agree, for the thesis he propounded was that people were kept poor because of the taxes they pay. If the hon. member takes the tax on an income of $900 or $800 at 22 per cent he will find that it is a small amount. No one is made poor because that amount is taken from him. He was made poor long before that happened. And he is kept poor, not because he is taxed, but because he does not get the full or the social value of his production. That is why he is poor.

We are not going to remedy the position, either, by making things financially possible that are physically possible, or by eliminating taxes, until we get down to the fact that a man is entitled to a living simply because he is a human being. And he is entitled to a living on an equality with all other human beings in the country, because the wealth of the country cannot be produced without him and his kind. We have on our hands some labour disputes, in which a great many people are involved. These are people with small incomes. But when they stop working, the wealth out of which comes all income is not produced.

I agree with the hon. member for Rosedale that the exemptions are too low. But when I included that in an amendment to the budget, he voted against it, just as he and his colleagues voted against the various other things which the leader of the opposition supported to-day, but which he voted against last week.

We must stop talking on both sides of our face. We must deal with issues as they really are, and not in the superficial way that my hon. friends are dealing with them.

Resolution stands.

Progress reported.

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

Wednesday, July 24, 1946

The house met at eleven o'clock.

REPORTS OF COMMITTEES

BANKING AND COMMERCE

Sixth report of the standing committee on banking and commerce.—Mr. Cleaver.

VETERANS AFFAIRS

Twenty-fourth report of special committee on veterans affairs—Mr. Tucker.

QUESTIONS

(Questions answered orally are indicated by an asterisk)

ARMY PERSONNEL AND DEPENDENTS RETURNED TO CANADA

Mr. CASTLEDEN:

1. How many Canadian army personnel have been returned to Canada in each month of the present year?
2. How many dependents have been returned for each month of the present year?
3. What is the number of (a) Canadian army personnel; (b) dependents, yet to be returned to Canada as at July 1, 1946?

Mr. LAPOINTE:

1.

January	31,984
February	31,000
March	6,084
April	8,531
May	6,151
June	11,796
Total	95,546

2.

	Wives	Children
January	406	175
February	517	323
March	3,492	1,302
April	2,891	789
May	3,258	1,546
June	2,739	1,358
Total	13,303	5,493

3. (a) 11,352 as of 28 June, 1946; (b) Wives, 15,389; children, 4,238.

DISPOSAL OF WEARING APPAREL, BEDDING AND CAMP EQUIPMENT

Mr. KNIGHT:

What action is the government taking as to the ultimate disposal of the eighty-seven carloads of wearing apparel, bedding, and camp equipment referred to in sessional paper No. 248, tabled on Tuesday, July 16?

Mr. LAPOINTE: Some items are required for use by the army and are being moved to the army distributing depot, Regina. Items not required by the army are being declared as surplus to War Assets Corporation for disposal.

QUESTIONS PASSED AS ORDERS FOR RETURNS

WAR ASSETS—SALES OVER $4,000 TO FIRMS, CORPORATIONS OR INDIVIDUALS

Mr. CASTLEDEN:

1. To what firms, corporations or individuals in, (a) Ottawa; (b) Montreal; (c) Toronto; (d) Winnipeg, have surplus, (1) scrap metal; (2) plumbing fittings and fixtures; (3) electrical equipment; (4) Trucks; (5) passenger cars; (6) tractors; (7) machine tools and equipment; (8) aircraft engines; (9) non-ferrous metals; (10) clothing, been sold by War Assets corporation or War Assets Limited in excess of $4,000?
2. What is the value of the sales made to each of such firms, corporations or individuals as of April 1, 1946?
3. Which of the above firms, corporations or individuals are classed as "recognized dealers" by War Assets corporation?

INSPECTION BOARD—SALARIES

Mr. LENNARD:

1. How many people were in the employ of the Inspection Board of Canada on July 1, 1946, and what are their salaries?
2. Who is the chairman of the board; who are the directors of the different departments of this board and what are their salaries?
3. What are the duties at the present time?
4. Have any new appointments been made to the board since the cessation of hostilities?
5. If so, had these appointees seen service overseas?
6. What was the total cost of operating this board from July 1, 1945, to July 1, 1946?

Mr. LAPOINTE: Return tabled.

NATIONAL FILM BOARD

Mr. FRASER:

1. How many different agencies has the national film board?
2. Where are these agencies located?
3. What are the functions of each of these agencies?
4. How many workshops, or studios, are used by the national film board?
5. How many offices has the national film board?
6. What rent is paid for each of these offices, studios or workshops?
7. How many employees are employed by the national film board?
8. How many employees have been taken on by the national film board since January 1, 1946?
9. What amount is paid in salaries and wages per month, by the national film board?
10. How many employees receive (a) $2,000 and over per year; (b) $3,000 and over per year; (c) $5,000 and over per year?
11. What is the salary of each person who receives $5,000 or over per year?

Mr. CLAXTON: Return tabled.

EXCESS PROFITS TAX—REFUNDABLE PORTION

Mr. McCULLOUGH (Assiniboia):

1. What is the total amount of refundable portion of the excess profit tax payable to Canadian companies for the years 1941-42-43-44-45?
2. What companies will receive over (a) $500,000 as a refund on the excess profit tax; (b) what is the amount in each case?

Mr. McCANN: An answer can be given to the first part of this question, but I do not think we can give an answer to the second

part, because that is private business and should not be divulged what companies will receive over $500,000 as a refund on the excess profits tax.

Mr. KNOWLES: Why not?

Mr. McCANN: It is private business.

MOTION FOR PAPERS

RATIONING OF SUGAR AND BUTTER

Mr. DIEFENBAKER:

For a copy of all letters directed by the wartime prices and trade board or any of its officials to the head office of La Banque Provinciale du Canada or to senior officials of the said bank since the 1st of January, 1945, drawing attention to breaches of wartime prices and trade board regulations or other irregularities in connection with the rationing of sugar and butter, and a copy of all replies thereto.

VETERANS AFFAIRS

PROVISION FOR LOANS FOR ESTABLISHMENT IN BUSINESS OR PROFESSION

Hon. DOUGLAS ABBOTT (Acting Minister of Finance) moved that the house go into committee at the next sitting to consider the following resolution:

That it is expedient to present a bill to authorize payment out of the consolidated revenue fund of losses, within the limitations therein provided, to banks incurred in respect of loans made to veterans resident and domiciled in Canada who have received or are entitled to receive a gratuity under the War Service Grants Act, 1944, and who have not elected to take benefits under the Veterans Land Act, 1942. Such loans to be confined to the purpose of establishing the veteran in business or professionally. Provision is also made for the payment of the necessary expenses of administration out of moneys appropriated by parliament.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the consideration of the house.

Motion agreed to.

UNITED NATIONS

WORLD HEALTH ORGANIZATION—DR. CHISHOLM EXECUTIVE SECRETARY OF INTERIM COMMISSION

Right Hon. L. S. ST. LAURENT (Acting Prime Minister): Mr. Speaker, on Monday the Final Act of the international health conference and the constitution of the world health organization were signed at New York by fifty-one of the united nations and by nine other nations. The signature for Canada was made by the Minister of National Health and Welfare and the Deputy Minister of Health, Doctor G. B. Chisholm. There were also signed an intergovernmental arrangement establishing the interim commission of the world health organization and a protocol designed to transfer to the world health organization the functions and duties now performed by the office internationale d'hygiene publique.

I now table copies of these documents, and so that hon. members may have before them the text of the constitution, I ask the consent of the house to have it printed as an appendix to *Votes and Proceedings*.

A resolution will be introduced at this session if time permits to provide for the approval of the constitution.

At this conference Canada had as advisers, in addition to officers of the government, Doctor T. C. Routley, C.B.E., General Secretary of the Canadian Medical Association, and two former presidents of the Canadian Public Health Association, Doctor C. W. MacMillan, Professor of Public Health at McGill University and Doctor A. Groulx, chief medical officer of the City of Montreal. These distinguished representatives of the medical profession were in constant attendance throughout the whole period of the conference, and the government wishes to express its warm appreciation and thanks for services rendered in this way to their country and indeed, to humanity.

Doctor G. B. Chisholm, Deputy Minister of Health, acted as rapporteur of the technical preparatory committee which prepared the draft of the constitution. He was also chairman of the important committee of the conference dealing with administration and finance. The great value of his services in connection with the conference has been recognized by his selection as executive secretary of the interim commission of the new organization which will be charged with the task of setting up the new organization. This has necessitated his resignation as deputy minister of health, which has been accepted, and Doctor G. D. W. Cameron has been appointed in his place. Doctor Cameron saw service in the last war, graduated in medicine from Queen's University, holds the diploma of Public Health and has been director of health services of the department.

Canada has been named as one of the eighteen nations to constitute the interim commission, which will carry on the work of organization until the required twenty-six states have ratified the constitution.

By these instruments the foundation has been laid of a single world health organization, whose object is "the attainment by all peoples of the highest possible level of health." By the preamble the parties to the constitution declared that "the following principles are

basic to the happiness, harmonious relations and security of all peoples." The first principle was that "health is a state of complete physical, mental and social well being and not merely the absence of disease or infirmity."

The functions of the organization will be varied. There is a wide field where co-operative action between nations is necessary and where the organization itself through its executive board and general assembly can give leadership in the attainment "by all peoples of the highest possible level of health."

The conference was an outstanding success. It showed that in a matter of wide human interest like health, the nations could work together to establish a world organization on a sound foundation. The constitution of the world health organization, which has just been unanimously agreed to, is not a colourless compromise, but represents a constructive document of world-wide scope and immense human significance.

Mr. KNOWLES: May I suggest to the Acting Prime Minister that high priority be given to the resolution ratifying this constitution? I suggest that it be dealt with at this session, whether there is time or not.

Mr. ST. LAURENT: If want of time were a physical obstacle, it could not be dealt with anyway, but it is hoped that this will be regarded by hon. members as one of the subjects that should have high priority in the session.

Mr. GRAYDON: May I ask whether the interim commission to which the right hon. gentleman has just referred is carrying on its work now, and, if so, who is Canada's representative thereon?

Mr. CLAXTON: Perhaps I might be permitted to answer that question. The interim commission is actually sitting in New York and is carrying on its work there. Canada is represented on the commission to-day by Doctor T. C. Routley, who has stayed in New York for the purpose. Canada's permanent representation on the commission will be decided later, but it is hoped that Doctor Routley will be associated with it.

Mr. GRAYDON: May I say to the acting leader of the government that I am in considerable agreement with the hon. member for Winnipeg North Centre (Mr. Knowles) as to the desirability of early consideration of a matter so very important from the international point of view. I should think that this house would not need to take a great deal of time in deciding that Canada desires to have a part in what is regarded by many as the best testing ground and perhaps the best opportunity for international cooperation with respect to any subject in the international field.

Mr. ST. LAURENT: When hon. members will have had an opportunity to read the constitution I shall be glad to have a word with the leaders of the various groups and try to provide an appropriate moment to dispose of the matter without taking up more time than is really necessary.

Mr. COLDWELL: That is satisfactory.

TRAVEL ABROAD

PASSPORTS TO EUROPE—CONDITIONS AFFECTING RETURN JOURNEY

On the orders of the day:

Right Hon. L. S. ST. LAURENT (Acting Prime Minister): Mr. Speaker, I have looked into the question directed by the hon. member for Peterborough West (Mr. Fraser) on Monday last to the Minister of Mines and Resources concerning a certificate required to be signed by persons applying for passports to enable them to go to countries outside the western hemisphere. As the issuance of passports comes within the jurisdiction of the Department of External Affairs, possibly I can answer the hon. member's question. The answer may help the public to understand why the formality is being required.

As the hon. member knows, the transportation situation was particularly difficult immediately after the war and travel beyond the western hemisphere was restricted to certain categories of applicants. As conditions abroad improved, these categories were broadened from time to time, and in June of this year the screening of applications for travel to countries beyond the western hemisphere was dispensed with. While there is now no screening process, transportation facilities will nevertheless continue to be limited for some time, and the government feels that it is only fair to warn all persons proceeding overseas that this condition exists. The passport office has, therefore, been authorized to endorse passports for any country on demand provided that the applicant signs a statement that he realizes the difficulty of obtaining transportation. The statement also acknowledges that the applicant realizes that the issuance of a passport does not obligate the government of Canada to undertake any responsibility with regard to his transportation. It is thus made perfectly clear to the applicant that he will

have difficult travel conditions to face in connection with which the government may not be able to help him.

Mr. FRASER: I thank the right hon. gentleman.

NATIONAL FLAG

RECOMMENDATIONS OF COMMITTEE—QUESTION AS TO ACTION BY ORDER IN COUNCIL

On the orders of the day:

Mr. W. ROSS THATCHER (Moose Jaw): Mr. Speaker, I should like to direct a question to the Acting Prime Minister. Is it the government's intention to have the house debate the recommendation of the flag committee this session? If not, will it give an undertaking that a Canadian flag will not be selected by order in council before the next session.

Right Hon. L. S. ST. LAURENT (Acting Prime Minister): I shall have to take the hon. gentleman's question as a notice. I have not had an opportunity of discussing the matter with my colleagues. It will be appreciated that the pressure on our time has been such that I need not apologize for not having had that opportunity. However, as soon as the opportunity presents itself I shall be glad to make a statement to the house.

LABOUR CONDITIONS

"DAILY PROVINCE" AND VANCOUVER TYPOGRAPHICAL UNION

On the orders of the day:

Mr. ANGUS MacINNIS (Vancouver East): May I ask the Minister of Labour whether he has received the report of the conciliation board in the matter of the dispute between the Vancouver *Daily Province* and the Vancouver typographical union?

Hon. HUMPHREY MITCHELL (Minister of Labour): No report has come to my attention, and I think I can say, with the acting leader of the government, that I too have been under some pressure. As soon as the matter comes before me I shall be glad to inform my hon. friend.

WAYS AND MEANS

The house in committee of ways and means, Mr. Macdonald (Brantford City) in the chair.

INCOME WAR TAX ACT

2. That for the 1947 and subsequent taxation years the following deductions from income be allowed:

(a) $1,500 in the case of married persons and persons allowed a deduction equivalent to that of a married person and $750 in the case of all other persons;

(b) $300 in the case of dependents not eligible for family allowances, $100 in the case of children eligible for family allowances and amounts not exceeding $300 contributed to the support of partial dependents.

The CHAIRMAN: When the committee rose last night it was considering resolution 2 of the Income War Tax Act. Before the committee begins its discussion may I remind hon. members that this is one of the committees of the whole, and paragraph 2 of standing order 58 reads as follows:

Speeches in committee of the whole house must be strictly relevant to the item or clause under consideration.

It has been the custom in the past to allow general discussion on the first clause, but I would remind the committee that we are now on the second one, and all discussion should be relevant to that particular clause.

Mr. FLEMING: Paragraph (b) of resolution 2 has to do with the allowance for dependents. I should like to mention particularly the provision in regard to dependent children under sixteen years of age. In explaining the purpose of this resolution the Minister of Finance said on June 27, as reported at pages 2915 and 2916 of *Hansard*:

I should like to make it clear that this proposal assumes the universal payment of family allowances to all taxpayers with eligible children from January 1, 1947. A taxpayer with a child eligible for family allowances will be assumed for purposes of income tax to have received family allowances, and will be given the deduction from income of only $100 in respect of such child. Taxpayers who are not now claiming family allowances for children eligible for them should make application for them to commence in the new year when the proposed measure will take effect.

I should like to submit to the Acting Minister of Finance that this is a harsh proposal for a number of people who prefer not to take family allowances. Surely it is arbitrary on the part of the government to say to them, "you must take family allowances or forego both your right to family allowances and your right to the deduction." Why should it not be possible for the department to continue the present basis, under which the taxpayer who is eligible for family allowances will take his benefit either in the form of family allowances or in the form of the larger deduction in respect of the support of the dependent child? It may be that it is easier for the departments concerned, National Revenue, Finance and National Health and Welfare, to do it in the way that it is proposed in this resolution; but the government should look farther than that.

In actual effect, what does it mean? It means that some wage earners and salary earners from whose earnings deductions have not been hitherto made at the source will now become subject to deduction of taxes at the source, and those who do not pay their income tax on that basis—for instance, the man who is working on a commission or any basis other than salary or wages—will lose deductions he has hitherto enjoyed, in that the government will insist, in effect, on paying him his family allowances, and will take from him a larger sum in quarterly instalments of income tax. That seems an involved way of carrying on government business. In fairness to the taxpayers I suggest that the government owes them the duty to permit them the choice they now have of taking either the family allowances or the larger deductions.

Hon. DOUGLAS ABBOTT (Acting Minister of Finance): Perhaps I had better say a word in answer to the comments which have been made by the hon. member for Eglinton. In the first place, of course, there is no compulsion on anyone to take family allowances. If the taxpayer is eligible to claim and receive family allowances, it is optional with him whether he does it or not; but under the system proposed by the resolution, if he fails to do it the exemption which he can claim for his child will be only $100. My hon. friend has pointed out—

Mr. FLEMING: That is in effect compulsion.

Mr. ABBOTT: It is not compulsory. He forfeits a certain amount of money each year; the average is $72 per child—that is perfectly true. There are serious administrative difficulties in adopting a system such as my hon. friend suggests—difficulties particularly for the employer, because he would have to have one deduction for those employees who receive family allowances, and another deduction for those who do not. There would be administrative difficulties for the tax department in ascertaining whether or not family allowances had been claimed. There would have to be a complicated exchange of information. In my view what is more serious is that it implies that there is something wrong in a taxpayer taking family allowances who is eligible to receive them. It is true that on balance in the higher income bracket the taxpayer derives no net advantage from claiming family allowances under the system as it stands to-day. Under our proposed system, of course, he does, and taking into account all the factors, the greater ease of administration so far as the employer and the tax department is concerned, and the fact that parliament has approved the principle of family allowances, has declared that it is a desirable principle, I suggest it is not imposing any heavy burden on a man who is receiving five or six or seven thousand dollars a year to make a claim and receive the cheque once a month. There may be some practical disadvantage in the fact that his wife receives it instead of himself, but that is beside the point.

Mr. FLEMING: I take it that the government has made up its mind on this matter. The minister says that there is no compulsion. I say there is, in effect and in practice, compulsion. The government is saying to any individual who has children eligible for family allowances: Apply for and take your family allowances, or you forfeit both your right to family allowances and your right to $200 of deduction in respect to the maintenance of that child. That is in effect compulsion.

The minister also says parliament has approved the principle of family allowances, and he goes on to conclude that therefore everybody ought to take them. I say, Mr. Chairman, there ought to be a measure of freedom allowed in a case of that kind; but that measure of freedom is to be taken away from those who do not choose to accept the family allowances by the proposal now before us, and I submit that is a definite interference with reasonable liberty on the part of these taxpayers involved. The fact that parliament has approved the principle of paying family allowances to those entitled is no reason why parliament should say to every taxpayer in this country, "You must take the family allowances or you lose the benefit of a deduction of $200 in respect of each child of yours under sixteen years of age."

I make this observation on the administrative problem involved. In his remarks I think the minister has placed a high premium on the ease of administration.

Mr. ABBOTT: Ease for the employer, too. I emphasized that, as well as ease for the taxpayer.

Mr. FLEMING: All right. I am speaking now of the minister's remarks in reference to ease of administration in the department, and I may refer to the employer in a moment. The minister has placed a high premium on ease of administration in the department, when that ease is to be carried to the lengths proposed in this resolution. What does it mean in effect? It means the government is making people take a larger income by accepting benefits from the government, and making them pay higher taxes.

Mr. ABBOTT: It is not taxable.

Mr. FLEMING: In effect that is what it comes down to. The taxpayer is called upon to swell his income by accepting certain benefits from the government, and then to pay the government a tax on the amount he has received from it.

Mr. ABBOTT: No.

Mr. FLEMING: Certainly that is what it amounts to. It means the taxpayer is being called upon to accept from the government on the one hand, and to give back to the government on the other, because his tax is going to be higher.

Mr. ABBOTT: As my hon. friend knows, or should know, the family allowances are not included in the taxable income.

Mr. FLEMING: It comes down to this, that the taxpayer will be paying higher taxes because he will get a lower deduction in respect of his children. Surely the sensible thing to do is to allow the taxpayer the choice. Let him have the right to take the family allowance or the right to take the higher deduction in respect to the maintenance of the children. Surely if the government is going to say to the individual, "Take the family allowance and pay a higher tax, because your deduction in respect to your children is being lowered by $200," it is simply creating two transactions which I submit are unnecessary. It is carrying the ease of the department in simplified administration to the point where I think it is done with less than adequate consideration for common sense and for the rights of the taxpayers. I sometimes think, Mr. Chairman, if that proverbial man from Mars dropped down on this earth and heard the Canadian government saying to a taxpayer, "You accept this cheque we are handing you and then turn around and pay us higher amounts in quarterly instalments or by way of deduction from your salary or wage, and keep that circle going," he would prefer to return to Mars, thinking we were a pretty crazy people.

I have one final observation about the other point made by the minister. He touched on the simplification of the task of the employer in respect to making deductions. Well, Mr. Chairman, the government gets out forms; there seems to be no lack of them. Why should it be an insuperable obstacle in this instance? Why not say to the employer: If the employee chooses to accept the family allowance, this is the form to use. On the other hand if the employee choses not to take the family allowance but to take the deduction of $300 in respect of each child under sixteen years of age, form No. 2 should be used. Surely there is no great load cast on the employer in that respect. I can only conclude that the ease of the department in respect to family allowances in administering the Income War Tax Act is being exalted above the fair rights of the individual taxpayer.

Mr. ABBOTT: May I just comment on that?

Mr. HACKETT: I was going to add a few words, and perhaps the minister could comment on the little I have to say when he offers his comment on what the hon. member for Eglinton has said.

My objection to the provision is not one of convenience but one of principle. I object to being put into a class of government annuitants whether I wish to be or not. I object to a government making me a beneficiary of the state whether I wish to be or not. It is the violation of that elementary principle of liberty that I object to here. If I am not content to become an annuitant of the state the penalty is that I lose a direct benefit to which I am entitled as the father of a family. That is significant of an era which unfortunately is not new to hon. gentlemen opposite. There was a time when we looked upon the Liberal party as a Liberal party, a party which adhered to the doctrine of Liberalism, freedom, and respect for individual liberty. To-day we find that doctrine violated in almost every measure coming before this house. When we are told that, whether we will it or not, whether we need it or not, we must accept money which the government offers us or be fined, I say that is a denial of the elementary principles of which we as Canadians have been proud and of which hon. gentlemen opposite have held themselves out as the great protectors and advocates. This instance in itself is not of grave importance, but it is indicative to me of an attitude which is contemptuous of individual freedom. I resent it and I object to it.

Mr. ABBOTT: Perhaps I might deal with one subject at a time. I have no desire to comment on my hon. friend's exposition of the principles of Liberalism, because I have never looked upon him as an outstanding expert in that field. On the question raised by the hon. member for Eglinton, there is one fact that perhaps he has overlooked: that is, that it may well be in the interests of the taxpayer to receive the family allowance rather than rely on the exemption. There are bound to be a good many marginal cases where it is impossible for a man to know in advance what his income is going to be for a particular year. If he were to follow the system we

followed last year and exercise an option as to whether or not he receives the family allowance relying on his being in an income bracket which would mean that it would be of no benefit to him, in the result during the year it might well prove that his income would fall below that figure and it would turn out that he had made a choice that was to his disadvantage.

There is no greater compulsion exercised here than in asking a man to declare in his income tax return whether he has children of an age which entitles him to the exemption. In other countries in which family allowances are in force there is no option; family allowances are paid on a universal basis to taxpayers who are eligible to receive them. Taking all the factors into account the government has come to the conclusion that the system which is proposed under the terms of this resolution is one which is in the interest of the taxpayers and of the government, which after all is the government of the people.

Mr. HACKETT: Would the minister be good enough to mention the countries in which these allocations are forced upon people whether they wish them or not?

Mr. ABBOTT: The United Kingdom, Australia and New Zealand.

Mr. HACKETT: They all have socialistic governments.

Mr. PROBE: Far be it from me to come to the defence of the present government, but I listened with some amazement and amusement to the professions of principle propounded by my eloquent friends to the right, when they said they were forced into the position of becoming annuitants of the state whether they wished to be or not. I should like to remind the house of what took place quite commonly throughout parts of this country in the early years of the war when the government was pressed for funds to prosecute the war. Many citizens in this and in other countries objected to taking interest on moneys lent for the prosecution of the war. I have many friends in that category. They lent their money to the government without any return of interest, because their principles were such that they would not permit themselves to receive profit from the war. My good friends to the right are not prepared to stand by their professed principles, when to do so would cost them a few dirty pennies. It seems to me that they are off on the wrong foot this morning.

However, I did not rise particularly to take issue with them on this matter, although I feel it keenly. I rose to ask the minister what constitutes married status. I receive letters from time to time from married men who are earning their incomes in this country, but whose dependents are abroad. Owing to circumstances beyond their control, during the war years they were unable to remit moneys to their families. I believe that under income tax regulations this prevented their considering themselves as married persons for income tax purposes. Would the minister explain what relief a married taxpayer might have in the event of his permitting someone else to assume temporarily the obligations for the support of his family abroad?

Mr. ABBOTT: The regulations with respect to dependents of a class to which the hon. member refers are found in rule 3 of section 2 of the first schedule to the Income War Tax Act. The section reads as follows:

A taxpayer may deduct $150 from the graduated tax otherwise payable by him in any year under this section if, during the taxation year, such taxpayer was—

(a) a married person who supported his spouse and whose spouse was resident in any part of His Majesty's dominions or in a country contiguous to Canada, or, residing elsewhere, was a subject or citizen of a country associated or allied with Canada in the conduct of the war which commenced in September, nineteen hundred and thirty-nine, and was prevented by reason of such war, or prohibited by law, from entering or landing in Canada.

That covers the wife or husband who is in another country, the taxpayer residing here. Then, under the heading of "children," paragraph (b) refers to—

(b) a person with a son or daughter wholly dependent upon him for support, if the son or daughter was, during the taxation year,

(i) under eighteen years of age;

(ii) eighteen years of age or over and dependent by reason of mental or physical infirmity; or

(iii) under twenty-one years of age and a student at a secondary school, university or other educational institution.

This paragraph gives the same residence qualifications as apply to the wife or husband. I do not know whether that answers my hon. friend's question. If it does not, perhaps I might add that it would be a bit easier to discuss this question when the bill is before us. On the other hand, if he cares to pursue it further at this time, I shall be glad to try to clear the matter up.

Mr. PROBE: I should like to know whether the fact that it was impossible, because of exchange regulations, to send the money abroad, prevented such a married person from being classified as such.

Mr. ABBOTT: I am advised that in cases where it was impossible to remit moneys to foreign countries—as, for example, in the case

of China—the departmental practice has permitted a trust fund being set up here into which moneys can be paid, irrevocably. That would avail as justifying a claim for dependency, which of course would mean that some other arrangements would have to be made in the meantime for the support of the person abroad. I am informed that that is permitted under departmental practice.

Mr. PROBE: That regulation is in effect?

Mr. ABBOTT: Yes.

Mr. LOW: I have listened with a great deal of interest to the discussion which has taken place respecting the effect of family allowances in our income tax schedule. I am hoping that some hon. members are not taking this too lightly.

I have had experience in the administration of income tax regulations, and I believe I know something of what the minister and his staff would be facing. I do not blame the officials of the income tax branch for seeking some relief for themselves, as well as for the taxpayers. I know what the job is. But I know, too, that there are fairly large groups of people who, because of deep convictions, are not accepting family allowances. Their convictions will not allow them to do so, because they have always had a spirit of independence. Those same substantial groups of people have taken the same view with respect to relief. Over the years they have cooperated among themselves to remove their numbers from the relief rolls of the countries in which they live. As I have said, that was done to maintain so far as possible under existing circumstances that spirit of independence which, it seems to me, is of great importance in any people. Under the new income tax proposals we are going to kill that spirit, because we are going to force those who by conviction have refused to become wards of the government in any respect, to accept family allowances, or in the alternative to be penalized to the extent of $72 per child by way of extra taxation.

I point that out because to my mind it is important. I should not like to see anything done which would destroy the independent spirit of any group of people, I do not care who they are. I would rather by all means do everything in my power to assist the government or the administrators of the Income War Tax Act to find a way by which they could give those people a choice in the matter. If this is humanly possible, let us find that way.

I am not now speaking against family allowances, because I have always felt that they were a good thing. But I certainly do not like to see anything done that would destroy such a splendid spirit as we find among several groups of people, with one substantial group of which in Canada I am familiar.

Mr. COLDWELL: I find it difficult to understand that argument, coming from my hon. friend, because, as I understand it, the theory of my hon. friend is that everyone in the country should receive a dividend from the state.

Mr. MACKENZIE: Of $25 a month.

Mr. COLDWELL: Both millionaire and pauper. I must confess I find it very difficult to follow his argument.

Mr. LOW: You would, because you believe in compulsion.

Mr. COLDWELL: I do not believe in compulsion. I say to the hon. member that his former leader stated categorically that dividends would be paid to millionaire and pauper; I remember the phraseology very well. Apparently the intention was that every millionaire would receive it as well as every pauper. However, I am not dealing with that at the moment.

It seems to me that the net result of this provision is that it does not make any difference whatsoever to the individual whether he accepts the family allowance or not. The point is that it places everyone in the country on a basis of equality, and on the basis of equality, not on the basis of compulsion, I believe it should be supported by hon. members

It is all very well to talk about interference with the liberty of the subject, but I get a little nettled when I hear people talk about the liberty of the subject who when they were in power compelled hundreds of thousands of people to stand in line and ask for pittances. There never was a time in the history of this country when people were so regimented and compelled to accept poverty as when my hon. friends were in power from 1930 to 1935. To hear this kind of thing about this budget seems to me to be fantastic.

Mr. LOW: There are two things I think I must answer to-day. I can quite understand what the leader of the C.C.F. has said, because his whole programme is based on compulsion.

Mr. COLDWELL: It is based on the liberty of the individual. These are the compulsory people on my right.

Mr. LOW: In the first place, the Social Credit group has never offered a programme based upon compelling anyone to accept any-

thing. Whether or not a person accepts the dividend is his own business. He must register for it, and he has to make known his readiness to accept it. If he does not want to accept and if he does not want to register, he will not have to take it

Mr. ABBOTT: The same applies to family allowances.

Mr. LOW: The second point is this. As to compelling people to accept poverty, that is quite a different matter from compelling them to accept any person's or party's formula for getting out of poverty. Our whole programme is based upon choice. The individual has complete freedom to choose whether or not he will take a certain action. We have always supported the principle of family allowances, but we certainly do not want to lend our hand to making them compulsory. I am not saying that that principle is exactly the principle the minister has in mind, but I do say that the arrangement now being worked out does not give the people any choice except on a penalty. That is the thing that counts.

We believe in the distribution of the tax load according to ability to pay—I think we can all accept that principle. But you are not arranging the tax load according to ability to pay if you force people to accept family allowances as a condition of receiving a tax reduction. That is the principle I take exception to. Does the minister not think it is a serious matter to force an apparently substantial group of citizens who have deep convictions against the acceptance of family allowances into the position either of registering for them against their convictions or, in the alternative, of losing $72 per child?

Mr. ABBOTT: Perhaps I might just say a word on this question of compulsion. In the first place, under our income tax law as it now stands and as it has stood for some years, those of us with incomes above a certain level have in fact been receiving family allowances. I have received a tax credit each year on my income tax of $108 for each of my three children. That was a form of family allowance to me as a taxpayer of $9 per month. It was not called a family allowance, but I was given a tax credit which meant that I paid $108 less tax every year for each one of my three children because they were under a certain age.

In reply to the impassioned plea of the hon. member for Stanstead that he did not want to be forced to accept anything he did not want to accept, let me point out that hon. gentlemen opposite have advocated old age pensions at sixty-five years of age without a means test. The other day I read through the statement made by the leader of the opposition on May 15 of last year when he advocated just such a policy. I cannot see any difference between an old age pension at sixty-five without a means test, payable to millionaire and pauper alike, and the payment of family allowances for all Canadian children under sixteen years of age.

I am advised that at the present time there are approximately 3,350,000 children for which family allowances are being paid, and that the change will add only about 150,000 to 175,000 children to the rolls. I cannot agree with the hon. member for Peace River that this is an objectionable form of compulsion. I do not think there is any more compulsion in it than to ask a man to declare in his income tax return whether he has children under sixteen years of age in order to get a $108 tax credit for each child. I understand that my hon. friend's group have advocated that we should pay old age pensions to all people over sixty-five years of age without a means test. If one is in favour of the principle of family allowances, and it has been endorsed by the house—I have yet to see a single hon. member stand up in his place and oppose it—then I say that no one should have any objection to filing a formal claim.

Mr. LOW: May I have an answer to my question? I did not attack the principle at all, but I ask the minister, does he not think it a serious matter to force family allowances upon a substantial group of people who by conviction are against them, or put them in the position of being penalized to the extent of $72 per child?

Mr. ABBOTT: I can answer that quite easily. Family allowances are part of the law of the land. If any citizen, by conviction or otherwise, feels that he does not want to accept this payment of $72 per year, that is his inalienable privilege as a British subject. However, he must be prepared to forfeit some monetary advantage because of his conviction. I do not think it is an improper use of government power to say that in common with millions of other citizens he should accept it, or if he does not, because of one reason or another, see fit to do it, that he should.

Mr. FLEMING: Some things have become clearer in the course of this discussion. Let us examine some of them for a moment. In the first place, the Acting Minister of Finance has said that family allowances are part of the law of the land, but I do not think it is the law of the land that those who are eligible for family allowances must accept them or

lose. Surely the basis of our present family allowances is that people with children under sixteen years of age are entitled to a monthly payment in respect of each child if they choose to receive it. But now the government has tacked something on to that, and it says: Whether you like it or not, you must take that benefit, you must apply for it and accept it from the government each month or you are going to lose certain benefits. The minister has said that after all there is no difference. He says, speaking for himself, "I in effect was receiving the family allowance". I controvert that principle entirely. The minister was not receiving a family allowance; the minister was enjoying a right given to him by the law of this land, either to accept the family allowance, and forgo certain deductions, or to take those deductions.

Mr. ABBOTT: I had that right before there was any family allowance.

Mr. FLEMING: That right should be enjoyed by anyone. The minister is asking that parliament give to his personal judgment —his own preference, apparently, as it is now —the force of law for all citizens. He says: I think it is better that everyone should take the family allowance; therefore we are going to make everyone take the family allowance, and we are going to make everybody pay more income tax because we are going to reduce his deduction accordingly. I say that that is an evasion of the rights of the individual. It means that the government has made up its mind that everybody is to become the ward of the state—an annuitant, to use his own expression, whether he wishes it or not.

Mr. ABBOTT: I did not use the word "annuitant"; that was your friend from Stanstead.

Mr. FLEMING: And it does not influence me in the least to take a view in favour of a resolution of this kind to see the leader of the C.C.F. rise and give it such vociferous support. If we want any better proof of the fact that inherent in this resolution is compulsion, you need no better evidence of it than the support given it to-day by the leader of the C.C.F.

Mr. COLDWELL: Oh, how ridiculous!

Mr. FLEMING: I do not know when gentlemen sitting to your right, Mr. Chairman, are going to wake up to the fact that they are being led down the path by the C.C.F., when they go on welcoming so enthusiastically, as they always do, the way in which the leader of the C.C.F. comes to the government's rescue, as he so often does.

Mr. MACKENZIE: The Tories favour reaction; that is the whole story.

Mr. FLEMING: If the Minister of Veterans Affairs has now decided that he is going to talk in the same tone as his colleagues, and not talk in different tones as he was doing on housing not so long ago, perhaps we can pay some attention to what he is saying.

Mr. MACKENZIE: I was here long before you were heard of.

Mr. FLEMING: If the Minister of Veterans Affairs goes on speaking as he is doing on the subject of the "aftermath", somebody one of these days is going to write *finis* to his career.

Mr. MACKENZIE: Are you against family allowances?

Mr. FLEMING: I am in favour of a system under which people will be allowed to accept family allowances, or not to take them without having a club held over their heads.

Mr. MARTIN: Tory reaction.

Mr. MACKENZIE: Go back to the eighteenth century where you belong.

Mr. FLEMING: It is too much to expect consistency from the Liberal party; and as for the leader of the C.C.F., he is living in the events of fifteen years ago. The Progressive Conservative party is living in modern times; it does not continue to live in the dark days of the ninteen-thirties.

An hon. MEMBER: When your party was in power.

Mr. FLEMING: The Liberal party was also in office in those days, and hon. members opposite can take what happiness they can get out of raking up the misfortunes of the people who suffered in this country then, as they suffered in every country in the world during the depression. So far as we are concerned we have learned some lessons from the experience of this country along with other countries in those days. I wish my hon. friend the leader of the C.C.F. would learn some lessons too.

Mr. MARTIN: Are you still opposed to family allowances?

Mr. GRAYDON: Get a new record.

Mr. FLEMING: Again we hear this question being parrotted by the Secretary of State.

Some hon. MEMBERS: Oh, oh.

The CHAIRMAN: Order.

Mr. MARTIN: Are you opposed to family allowances?

Mr. MACKENZIE: Are you for or against?

Mr. FLEMING: If that question is the only contribution which the minister is able to make to this debate—

Mr. MARTIN: Are you opposed to family allowances?

Mr. FLEMING: I should be glad to give the answer. I have repeatedly said that I am in favour of a system of family allowances; I always have been, but not on the basis of holding a gun to people's heads and saying to everybody: "You have got to take it—or else." For the benefit of the leader of the C.C.F., who is still living back in the early thirties, I should like to give him a quotation from a speech delivered by a man whom, perhaps, my hon. friend the leader of the C.C.F. may yet succeed as leader of the Liberal party.

An hon. MEMBER: Hear, hear.

Mr. GRAYDON: There is a supporter over there.

Mr. FLEMING: Frankly I think his chances are about as good as anybody's.

Some hon. MEMBERS: Oh, oh.

The CHAIRMAN: Order.

Mr. ABBOTT: Which resolution are we on?

Mr. FLEMING: The speech to which I am referring was made by the present Prime Minister of Canada when he was still leader of the opposition, in a hectic election campaign, on October 1, 1935.

Mr. TOWNLEY-SMITH: Away back there in the thirties!

Mr. FLEMING: I am giving this for the benefit of the C.C.F., who have thrown up references to that period. This speech was made in Winnipeg. Making all due allowances for the fact that the Prime Minister delivered this speech in the heat of an election campaign—and we know that his speeches in the heat of election campaigns do not always jibe with the things he has said in this house, or with some of the things his cabinet ministers have been saying and parrotting since—this is what the Prime Minister said, as reported by the Canadian Press:

"I say that in making these promises Mr. Bennett set an example—"

He was speaking of Mr. Bennett's reform legislation in 1935; and if any members of the C.C.F want to say that they are opposed to that legislation I shall be glad to give them the opportunity.

". . . in making these promises Mr. Bennett set an example that is thoroughly immoral and thoroughly wrong and which, if it is followed in the future, will lead to the ruination of this country."

"Where is the difference," asked Mr. King, "between offering a great body of people $25 a month and going into a man's home and putting $25 into his hand in exchange for his vote?"

And then there was an interjection:

"Bribery," came a voice from the gallery.

"Someone said bribery," said Mr. King. "I say any party which seeks to obtain office by offering money out of the public treasury, whether in the form of cash or in the form of projects to benefit certain persons, is departing from the only basis on which you can keep a nation straight in regard to the administration of public affairs."

When you add to that, Mr. Chairman, the element of compulsion, I say that this government is trying to thrust down the throats of the people benefits which ought to be available to them if they want to take them, but as to which they should have an opportunity of making a choice, as they have to-day, instead of being compelled to take these family allowances. It does not seem to matter one iota to hon. gentlemen opposite that they are going to continue with this apparently endless process of building up a bureaucracy, creating more transactions for the government, making people more dependent on the government. Here is what it comes down to. The Minister of Finance and the hon. member for Rosetown-Biggar have made up their minds that they prefer to see people compelled to take the family allowance—not given a choice. So far as I am concerned I insist that the principle is sound, and should be observed, that people shall still have the opportunity of saying whether they choose to take the deduction or whether they choose to take the family allowance.

Mr. COLDWELL: May I just say one word? The hon. gentleman who has just spoken threw in an innuendo when he quoted from a former speech of the Prime Minister. Whatever I may think of the Liberal party, I hope that among its own membership it could find a successor to the Prime Minister and not have to follow the example of the Tory party, who hunted from one end of this dominion to the other and then had to accept a gentleman who had always been opposed to them.

Mr. GRAYDON: A pretty successful hunt.

Mr. MACKENZIE: "Strike one!"

Mr. GRAYDON: The marriage is complete.

Mr. POULIOT: I appreciate what the hon. member for Rosetown-Biggar has said about Tory leadership, which must have reached rock bottom, because for the second time

they have looked to the Liberal party to lead them. The two last leaders of the Tory party were former Liberals. However, that having been said, I rise as a peace maker for the second time in my parliamentary career, and I wish to absolve all my colleagues in the house, those belonging to all parties and groups. I will say that if they were not so careless at times we would not be in such a jam.

I have here a paper which was widely distributed during the election of 1935. It is entitled "Taxes." It was distributed by the Liberal party, and the one who was responsible for it was the member for Temiscouata, because he was asked by the member for Quebec South (Mr. Power) to prepare a list of taxes imposed by R. B. Bennett and his government, to serve as political propaganda during the election. It was my deep conviction that the Liberal party would come back to the taxation that existed before 1930 that caused me to prepare that list. The list gave all the taxes imposed by Bennett during the five years of his regime, and I expected them all to be erased, to be struck out by the Liberals, so that we would return to the happy days prior to 1930. That was my purpose, and the paper was widely distributed throughout the country. Those figures can be found in *Hansard*. If hon. members are doubtful about it they may go to *Hansard* of 1935, where they will find a list of the taxes imposed by the Bennett government from year to year, from 1930 to 1935 inclusive.

There was the sugar tax, and there were many other taxes. They were all to go, but none of them has gone. I will show what comes under this heading of taxes.

Mr. MACKENZIE: Why don't you read it?

Mr. POULIOT: I have a French copy, but it was published in English as well. I will read part of it to show that before 1930 the government thought more of man-power, especially young man-power, than it did afterwards. I remember a speech which the hon. member for Peel delivered on March 3, 1943, when the social legislation was brought down. He spoke after the Prime Minister and said that when the war was over we would have to pay more attention to man-power. More attention should have been paid to man-power at that time, and always, because man-power is the greatest wealth of the country—not only gun flesh, bodies to be slaughtered, but brains with which to think, brains to help to get the country out of the hole in which it is. I have the greatest respect for my fellow citizens and I believe that all the gold mines in the country, all the inanimate wealth, all the deposits in the banks, are as nothing compared to a brain that is working normally, the brain of a child or the brain of a grown-up. Therefore I appeal to the brains and the intelligence of my colleagues when I speak to them now, and I hope that they will be conscious of their responsibility.

Let us see what happened. The exemption from income tax for married couples in 1930 was $3,000 and for single persons it was $1,500. In 1932 Bennett reduced the exemption for married persons from $3,000 to $2,400 and for single persons from $1,500 to $1,200. Then it became much worse from 1933 to 1935. The exemption was reduced for married persons from $2,400 to $2,000 and for single persons from $1,200 to $1,000, while for children it was reduced from $500 to $400. Hon. members must remember that until then the exemption for young children who were dependents was $500. To-day it is a miserable pittance compared to what it was then, because at that time man-power was better regarded than it is to-day.

Think of it—a reduction from $500 to $400. Everyone complained at the time. I said it was wrong, and I said so with sincerity because I hoped that my party, the Liberal party, would return to the old traditions which I knew before Bennett came to power. And now we have the same rule as when Bennett was in power—and I do not apply that reproach to Mr. Elliott, the deputy minister of taxation, or to the taxation branch of the government, but to the crazy fools who made the financial policies of this country, and who think only of destroying the purchasing power of individuals. I do not understand why the leader of the C.C.F. and the member for Eglinton, both well gifted colleagues, talk about compulsion. Each tax is a compulsion. Each tax destroys the purchasing power and destroys the personality of one man. Everyone will agree with that. Why single out any tax when all taxes are alike?

We must consider the cause of taxation, the foolish expenditures that are made. But we heard of extravagance in the amendment that was defeated yesterday, the amendment proposed by the Progressive Conservative party. They are thrifty of cents but they are ready to waste billions by enriching other countries at the expense of their own. They do not see that. They do not see the foolish extravagance of giving away billions of dollars at the expense of our own people, but when it comes to cents and a few small dollars, they are economical, and they complain about extravagance.

What hypocrisy! Why are we here month after month? It is more than two months since I decided not to speak, but I came here just to say a few words about the seven and a half billions that have not been accounted for. They may have been lost at Bikini and perhaps we shall hear about them to-day when the submarine bomb explodes. Perhaps it will come up to the surface. We hear much about active assets, and I was told that the $450 million that was given for the air force of Great Britain was an active asset. What is more foolish than that? And yet we hear intelligent people indulging in that idle talk day after day, discussing the effect without ever trying to remove the cause. The only way to remove the cause is for the members of the House of Commons to come to their senses and to see through the thick fog of prejudice and propaganda, to see clearly what is the interest of this country, and to make up their minds about it and decide to do something at last for the Canadian people.

The officials of the income tax branch are not responsible for these foolish expenditures; those who are responsible are the ones who have made the policies of the government, those silly policies which I condemn with all the power of my voice and the sincerity of my heart. Those who are responsible are those who have given us bureaucracy. Why should the members of any party complain about bureaucracy when we have so many Charlie McCarthy to the Bergens of the west block? There they are; they are marvellous people. We must listen to them. They are doctors *honoris causa;* they come from Queen's; they come from Toronto. They have been to Oxford, they have been to Cambridge, and it gives them a lustre, a kind of satin finish which makes them acceptable to all. And any one of those fools has more influence on the Minister of Finance than any member of parliament. Their word is the word of the gospel. They have landed here; they were landed in Ottawa by Bennett, by flattering his vanity, his immense vanity, by telling him that the North American continent was not fair to him, that he should be doctor of laws *honoris causa* of all universities on this continent; that he should swell up, that he should be just as big as the greatest giant who ever lived, a giant physically, mentally, et cetera, et cetera, et cetera.

What has been done for the farmer? I am sick of hearing my colleagues complaining of bureaucracy and doing nothing to curb it. The way to curb it is not to take away young people or young girls or boys who are stenographers or minor clerks. The thing to do is to cut the head off the snake. I am like St. Patrick; I follow his example. The first thing he did in evangelizing Ireland was to expel the snakes. I want the snakes to be expelled from office in Ottawa, the dangerous ones, those who are responsible for bringing this country to the position in which it is, of destroying economy, of destroying private initiative. They shall go. It is because of social parties that they do not go. Mrs. So-and-So meets Mrs. So-and-So, the wife of this eminent cabinet minister, and Mrs. So-and-So, the wife of this indispensable deputy, is very friendly with Mrs. So-and-So, who is in the social and personal column every day of the year. That is that. And who has to pay for it? The farmer has to pay for it; the man in overalls has to pay for it. Everyone has to pay for it. Here we are listening to it and indulging in shadow-boxing. Is it the C.C.F. who are responsible for compulsion? Yes, they are responsible for compulsion. Is it the Tory party? Yes, it is the Tory party. Is it the Liberal party? It is the Liberal party, and it is the Social Crediters. They are responsible—

Mr. LOW: No.

Mr. POULIOT: No, it is not? I do not think anyone is responsible for compulsion, because I have absolved all my colleagues. I referred to the discussion which took place in the house. It is the constant drawing of the red herring across the trail. The red herring becomes the political football; so it goes; time marches on; hon. members are satisfied when they say something cruel to the other party, and it usually comes back like a boomerang. Time passes. There are no reductions in taxes because the expenditure remains the same. How long have I to repeat the same thing to my colleagues?—because I do not consider that they are bereft of intelligence. I boost them every time I have the opportunity to do so; I want to wake them up. How is it that the English speaking audiences whom I have the honour to address all over the country are ready to think their own thoughts? I do not want to convey any of my thoughts to my colleagues; what I want them to do is to stop and think of the tremendous responsibilities of R. B. Bennett when he installed in the Bank of Canada and in the west block these men who have the power of life and death over all Canadian citizens.

I am not bigoted; I am not against the Jews. I believe that the Jews who are Canadians should have the same rights as all others, but on the other hand I do not see why the Jew should have more rights than the Canadian. I cannot understand how it is that one

Rasminsky, one of those who built up the bureaucratic structure, not long ago in a committee of the house refused to give information to members of parliament. He knew something that no one else knew with the exception of the Minister of Finance. Is it fair? I am not bigoted because I speak in this way; I am not to minimize the rights of any Canadian citizen. I want them to be free and happy in this great country. But I do not see how it is that one man, whether he belongs to one race or another—if he were French Canadian I would denounce him just as bitterly as I denounce Rasminsky—how is it that one man is so secret, has a mystery which he will not give to others? These are the people who built up this chain of mountains of taxation, and we go on like that. What will be the way out? Did hon. members ever think of it? Our war expenditures amounted to $30 billion. We have to pay it, unquestionably so. Oh, we have to abandon our responsibility to all the debt.

I believe in private initiative; I believe in the savings of the people. Everyone remembers the progress that communism made in France because of the devaluation of the franc. All those who were receiving superannuation, either government or otherwise, were ruined, as they were ruined. The only door open to them was communism. They wanted to share the whole as theirs had gone with the wind. The example of France will be remembered by all. There is something else that should be remembered by all. It is that in France the reason why scoundrels took power was the indifference of the good people. They were indifferent to what was going on in France. It is the same thing in Canada, because the Canadian people have their eyes on us, and those who are indifferent to foolish, silly, dangerous and indifferent Canadian expenditures are precisely the members of parliament who seem to be blindfolded, who do not see any clearer than the French citizens, the French men and women, did before the war When one asks them, "What do you think of politics?" they say, "I don't care; it is the job of politicians." Here we are not politicians; we are Canadians. I have the greatest admiration for my colleagues; I respect them, and I want them to keep the respect of my fellow citizens. I could easily raise prejudices when I go here and there—religious prejudice, racial prejudice—but I never do. I never do because in spite of all the trouble, in spite of all the humiliation, in spite of all the difficulties that we have in this country, I still hope for a better future, but a future that is in the hands of the House of Commons more than in the hands of the Senate, because the elected members of parliament who sit in the House of Commons are closely in touch with their constituents, while the Senate is independent, is appointed by the government and has not to run for office. But now the Senate puts the House of Commons to shame in spite of the fact that the senators are about the average age of—

The ACTING CHAIRMAN (Mr. Golding): Order. The speech which the hon. member is making is entirely out of order on the section now before the committee. The section we are dealing with reads as follows:

That for the 1947 and subsequent taxation years the following deductions from income be allowed:

Then it goes on to enumerate the deductions. I believe hon. members are anxious to get on with the business, and I should hope we would try to confine our remarks now entirely to these sections.

Mr. POULIOT: Yes, sir.

Mr. KNOWLES: Before the hon. member goes on, in view of his last statement that he is most anxious not to raise any religious or racial prejudice will he make it clear that his references to Mr. Rasminsky were made of him as a Canadian and an official, and not because of his race?

Mr. POULIOT: I shall do so gladly; and my hon. friend will remember that I said even if he were a French Canadian I would say the same thing.

Mr. KNOWLES: My thought was that it would have been better for the hon. gentleman to refer to the official in question by name instead of bringing in the question of race at all, because it can be so easily misunderstood.

Mr. POULIOT: Perhaps so, but my hon. friend knows I have never raised any racial or religious issues. What I cannot understand is that one man in the whole country should have a secret which he shares with the Minister of Finance but which we, as colleagues of the minister, cannot know. That is my point.

Mr. ABBOTT: I can answer that very quickly, if my hon. friend desires. It is considered advisable by the minister that figures with respect to foreign exchange holdings should not be disclosed until a period of six months has elapsed; and I think that is for obvious reasons. The bill which is now under consideration provides that the annual

statement of the board will not be produced until six months after the end of the year. There is no secret or mystery about that; it is known to the minister, but there are other aspects of government administration, including the income of individual taxpayers, which are known only to certain officials and to the minister. But I want to say, in the case of the civil servant, the official of the Bank of Canada referred to, that the refusal to disclose the information asked for was on instructions of the minister, not on his own initiative. I want to make that perfectly clear.

Mr. POULIOT: Well, sir, I blame the minister for giving such instructions.

Mr. ABBOTT: That is proper, but do not blame the civil servant.

Mr. POULIOT: And I blame him very strongly. When there is information which is not to be publicized the government should have enough confidence in hon. members to give it to them privately if it is not to be given publicly.

Mr. ABBOTT: The government only asks for delay in publication of this information, that is all.

Mr. POULIOT: I notice the acting minister is much more open-minded than the minister himself, and though of course he is bound by his duty to take a certain stand I give the devil what is due to him. My hon. friend is not the devil; he is a very good friend. Now, sir, I want to make myself very clear on that question. At the present time we hear a great deal about a higher standard of living. How is it possible for a family to have a higher standard of living with the present taxes? It is most absurd, because the cost of living has increased tremendously and we are in a worse position than in the thirties, when taxes were much lower. That is not taken into consideration.

The ACTING CHAIRMAN (Mr. Golding): Order. I hope the hon. member will keep to this resolution, which is No. 2.

Mr. POULIOT: Yes, sir; that is exactly what I am doing now. I am speaking of the impossibility of a Canadian family achieving a higher standard of living under the pressure of our present taxation. I say it is the more absurd because the taxation is heavier than it was when the cost of living was much less. Fifteen or sixteen years ago the cost of living was much lower than it is now, and at the same time taxation was much less. Taxation is heavier now because expenditures are heavier, and I consider myself strictly in order in mentioning the cause of the heavy taxation which is such a burden upon the people. It is my fervent hope that members of the house, all those who are liberal-minded whether they sit with the Progressive Conservative party, the Liberal party—because there are still some liberal-minded people in the Liberal party—the C.C.F. or the Social Crediters, will consider every measure upon its merits, without being influenced by propaganda of any kind from any source; and I hope they will not forget their own constituents when they take a stand on a matter of importance in the House of Commons. At times sentiment is a very fine thing. When young people are in love their sentiment is praised by all. Love may inspire fine sentiments, but here we are with a tremendous responsibility which is the collective responsibility of all members of parliament, to ensure and assure order and good government in this country. At the present time we have disorder; the strikes prove it. Why are there strikes? Precisely because the taxation on the working man is so high that he has not enough left to meet current expenses.

Mr. KNOWLES: Because they do not have enough on which to pay taxes.

Mr. POULIOT: Exactly, on account of the taxes. If the income of the working man was not cut as it is by taxation his standard of living would be much higher and he would not have to go on strike to remedy his difficulties and deficiencies. It is taxation that has reduced the salaries of the working men, professional men and everyone else. Here we are given a little relief, but it is not the relief that was expected by the Canadian people. If taxation were lower I know many strikes would be settled at once. The men engaged in our industries which are the pride of Canada managed very well and had a good understanding with their employers previously. They made sacrifices during the war in the expectation that once the war was over the tax burden would be alleviated. Now they are disappointed; their cheques are reduced at the source, and they cannot get along on what they receive. So they ask their employers for higher wages. We have an example of that here, under this very roof. I am not in a position to say who is right, but I know the burden of taxation is so heavy because of the expenditures that have been approved by this house, and as a result we now have the difficulties that overpower us. My only hope, and it is the hope I express to my constituents when I visit my constituency, is that each member of parliament, whether he belongs to any party or any

group, will do his own thinking about all the problems we have to solve. It is said that the consensus is the criterion of truth. I believe that is so, because when a man considers a matter objectively upon its merits, without being influenced by any propaganda, he may reach the same opinion that has been reached in similar circumstances by one who may be thousands of miles away, but who has used his intelligence to discover the truth—truth which may have been forgotten for a long time, and which must reign in this country if we want to have order and good government.

Mr. HAZEN: I wish to bring to the attention of the minister a condition which I believe does not make for justice and which in my opinion should be corrected. I have reference to the taxes imposed upon domestic servants in different parts of the country. Domestic servants in the maritime provinces are charged $26 per month for board and lodging when they come to make up their income tax returns. In Quebec they are charged only $15 a month. I have not the figures for the other provinces and I am not trying to draw any distinction between Quebec and the maritime provinces. I refer to Quebec only because I have not the figures for the other provinces. This works a hardship on the domestic servants in the maritime provinces. Their incomes are figured out at $312 a year for board and lodging, while those in Quebec are figured out at $180. So when they come to completing their tax, domestic servants in the maritime provinces have $312 assessed against them as income, while those in Quebec have only the smaller amount. Domestic servants in the maritimes do not get better board or lodging than those in Quebec. Their board and lodging probably costs no more than it does in Quebec. I would ask the minister to look into the matter to see if it can be rectified. It seems to me it is a discrepancy which should be corrected.

Mr. ISNOR: I support the hon. member for St. John-Albert in what he has said. I have received the same complaint from persons living in Halifax and other parts of Nova Scotia. I would ask the minister to look into the matter. Parallel to that is the case of the railway porters, stewards and waiters who operate on the Atlantic region between Halifax and Montreal. They complain that whereas the operators in the central and other regions of the Canadian National system are not taxed on tips, those in the Atlantic region are taxed to the extent of $300. If this is so, it is a clear case of discrimination, and I would ask the minister to look into it.

Mr. ABBOTT: I shall be glad to do so. I agree with both hon. members that there should be no discrimination between servants employed in the maritimes and those employed in other provinces. I shall look into the matter and see what is causing this condition.

Mr. KNOWLES: Under this section which deals with deductions from income I should like to ask a question about a matter I brought up two years ago. Looking through *Hansard* of that year I find the same minister was before the committee, acting as parliamentary assistant to the Minister of Finance. Therefore to some of us it seems only natural to have him acting as minister to-day. It is of particular interest too, in view of the rumours one reads in the newspapers from time to time.

Mr. ABBOTT: Pay no attention to rumours.

Mr. KNOWLES: The matter which I again draw to the minister's attention is that of the discrimination between train conductors and sleeping car conductors—and in the same class as the sleeping car conductors are the sleeping car porters. The relevant definition in the act states that—

> 5. (1) "Income" as hereinbefore defined shall for the purpose of this act be subject to the following exemptions and deductions . . .
>
> (f) Travelling expenses, including the entire amount expended for meals and lodging, while away from home in the pursuit of a trade or business.

As a result of that wording, and the interpretation of it, sleeping car conductors and train conductors travelling on the same train find themselves in different positions in the matter of deductions for expenses incurred away from home. The sleeping car conductors and porters point out that as a matter of fact they are away from home more than other members of the crew, but because of the difference in the way they are paid, one on a mileage and the other on a monthly basis, the discrimination still holds.

When the matter was discussed two years ago the minister expressed sympathy with the representations made. Indeed on one occasion the Minister of Finance cited this as an example of unfairness cutting right across an industry, because of the hodge-podge way in which our income tax legislation has grown up. I had hoped that in this partial revision and simplification of the Income War Tax Act consideration would be given to the matter. I see nothing in the resolution to indicate that that is so. Has consideration been given to rewording the section so that these two classes of employees shall be on the same basis as to deductions allowable from income because of away-from-home expenses.

Mr. ABBOTT: I recall the occasion upon which the matter was discussed. I am informed that following that time the condition has been considered at four or five conferences which have been held between departmental officials and officers of the two employees' organizations involved. We are conscious of the problem. It has not been possible however to work out a solution, and there is nothing in these resolutions on which an amendment to the act could be based. The matter has been under consideration. It is a difficult and complex problem. There are others affected in addition to the two groups mentioned by the hon. member. As I say, both sides are fully aware of the position and of the complexity of the problem, and discussions are still proceeding. It will not be possible to do anything at this time.

Mr. KNOWLES: I want to express once again the hope that the government will carry out what was expressed in the statement made two years ago by the Minister of Finance that this complex matter called for some solution. It is cold comfort to these people to be told that they are caught in a difficult situation. I think by next year we should get, not just a series of amendments to the Income War Tax Act, but a brand new income tax act which will take care of many of these anomalies.

Mr. GRAYDON: I should like to bring to the minister's attention a matter which I think affects a great number of taxpayers in Canada, the exact number of which can perhaps only be estimated because a question which I placed on the order paper was answered last week by the Minister of National Revenue who said that the government was not in position to give the exact number. I refer to Canadian citizens who operate self-contained domestic establishments but who under the present rule are not able to claim married status. I refer to those who are widows, widowers or who may be unmarried and who operate self-contained domestic establishments and are faced in many instances with expenses as great as or greater than those incurred by taxpayers having a married status. Many cases of inequality and hardship have come to my own attention.

I have in mind a neighbour, and perhaps I may be pardoned for bringing forward this personal example although I think the examples you know best are the ones you should bring forward. This man lost his wife some four or five years ago. He has a family and he tells me that he has not been able to claim married status. I am not sure how old the children are.

[Mr. Knowles.]

Mr. ABBOTT: If they are under eighteen he can.

Mr. GRAYDON: I have watched them grow up and they still seem quite young to me, although I am sure they are over that age. In any event since his wife died his household expenses have been materially higher. I think his case could be multiplied all across Canada. I submit the minister ought to give some consideration to making a distinction in the administration of the act with respect to this class of taxpayer. There ought to be some distinction in the taxing field to take care of people who maintain self-contained domestic establishments. If there is some close relative who is being supported by the taxpayer he can claim married status and be allowed accordingly, but that leaves out I fancy scores of thousands of deserving taxpayers who have had to carry an undue burden of the load of the country's taxes when their expenses are higher than those of persons who, when they file income tax returns, are entitled to claim married status.

I have been asked about this by many people and I should like to have some clarification from the minister as to just why this regulation stands as it does and what reasons there are for not making a change to relieve this deserving and worthy section of our people from the unjust burden which they are now carrying. I should like the minister to indicate whether or not government policy will be changed to meet the wishes of these people on the grounds of equity and justice.

Mr. ABBOTT: As my hon. friend will recall, this question has come up before on a number of occasions. I remember discussing it pretty extensively two years ago when the budget resolutions of that year were before the committee. If members of the committee would care to look at *Hansard* of that time they will see that I gave elaborate reasons for the present provisions of the law which have not been changed for some time. Briefly, the reasons are these: an allowance is given to married persons, and that relief is extended to certain other persons, widows or widowers or those who support dependents in a self-contained establishment. It was felt that under the circumstances there is an analogy between such persons and a married man who is maintaining a home and bringing up his children. The special consideration given to married persons is given to persons who support minor children related to them or other dependent persons in a self-contained domestic establishment. It was never the intention of this act or of any income tax act that I know of to extend to bachelors or to widows or widowers

as such a special tax concession in order to enable them to live in a self-contained domestic establishment. Once they cease to have what I would describe as married status, that is, either actual married status where a husband and wife are living together, or constructive married status where he is maintaining persons who are directly dependent upon him for support, once they adopt a mode of life in which in my opinion is the same as that of any other unmarried man or woman they cease to have that special status. I do not think it could be justified under our taxing system to grant the special concession to a widow or widower which is granted to the person possessing married status. A line must be drawn somewhere, and I think as a result of long consideration and discussion the line which is drawn in the present act is a pretty fair one.

Mr. DIONNE (Beauce): I do not want to repeat the speeches which have been made, but I should like to move, seconded by the hon. member for Portneuf (Mr. Gauthier):

That the ways and means resolutions of June 27, 1946, respecting the Income War Tax Act be amended as follows:

1. That wherever in the resolutions the figures "1947" appear and relate to a reduction in taxation the figures "1946" be substituted therefor;

2. That in paragraph (a) of section 2 of the said resolutions respecting the Income War Tax Act the figures "$3,000" and "$1,500" be substituted for the present figures of "$1,500" and "$750";

3. That in compensation for the loss of revenue following the adoption of the preceding amendments a sales tax of ten per cent be imposed on retail sales of all merchandise at present taxed eight per cent on the wholesale price.

Mr. JACKMAN: Did the hon. member vote for the budget?

Mr. ABBOTT: The amendment which has been moved is clearly out of order, because it is an amendment to a resolution which precedes the introduction of a money bill. I understand it was pointed out quite clearly the other day by the Minister of Justice that such a bill can be amended only by a resolution which has been submitted to His Excellency and has received his approval. I therefore ask you, Mr. Chairman, so to rule.

Mr. JACKMAN: May I ask the hon. gentleman who moved the amendment if he and his seconder voted for the budget resolution?

Mr. ST. LAURENT: The list of those who voted is printed in *Hansard*.

Mr. JACKMAN: Will it be taken for granted that he and his seconder voted for the resolutions?

Mr. ST. LAURENT: Nothing will be taken for granted which does not appear in *Hansard*.

Mr. ABBOTT: The motion on the vote was that we go into committee to consider certain resolutions. That was all the vote involved.

The CHAIRMAN: The motion made by the hon. member for Beauce is beyond the jurisdiction of this committee, since it will increase the taxation of certain persons, and therefore I cannot put it to the committee. If it is to be considered by the committee, it must be moved by a minister of the crown.

At one o'clock the committee took recess.

The committee resumed at three o'clock.

Mr. McMASTER: The hon. member for Eglinton, spoke of those who did not wish to take the family allowance but preferred to leave things the way they were and claim exemption. My objection has to do with another point. I pointed out last year that one department of government sends out the family allowance cheques while another does the collecting, the Minister of Finance being somewhere in between and bearing the burden of all departments. This is the condition of things as I see it. I do not see how the minister can say that a greater amount of work will be placed on the employer by his not being allowed to deduct for each married person. The employer must have a list of all his employees, and among them will be single men who are not affected by family allowances, married men who are not so affected, and other married men with children. It is necessary for the employer to ascertain before he makes deductions, which of his employees desire deductions to be made. I do not see any force in the minister's argument in that regard, but I do see this difficulty. Where an employee's wife receives a cheque for family allowance in the first part of the month, the employer deducts from the man's wages shortly thereafter, and the point which the member for Eglinton made as to those not in employment is an important one. Take the man on commission. His wife gets a cheque every month, and at the end of the year he not only has to make up the balance of the cheques but also to repay, if he makes more than $3,500, as a great many of them do, the full amount of family allowances his wife has received. It may

be a heavy burden on him at that time. I do not suppose anyone likes to pay income tax, and I suggest that the government will lose a considerable sum by the method it is adopting in respect to those who do not have deductions made from their salaries but have to pay back the money at the end of the year.

Mr. QUELCH: I have no doubt the minister realizes that members on all sides of the house are disappointed that the government has not seen fit to increase the exemptions granted people in the low income brackets for 1946, and are dissatisfied with the amount of increase for 1947.

The Minister of Finance, when he spoke on the question, realized I think that the government's proposals would not meet with the approval of the people of Canada, because he went to some length to try to justify the government's actions in this regard. I should like to quote what he had to say as reported at page 2914 of *Hansard*:

> I am aware of suggestions, made by persons who may not be familiar with all the facts, that the exemption limits be raised to $1,000 for single persons and $2,000 for married, or even to $1,200 and $2,400. We have carefully examined these and other suggestions and have come to the conclusion that exemptions of $750 and $1,500 are as high as can be reasonably proposed under present circumstances.
>
> In the first place, we must still raise very large amounts of revenue. Even if no tax reductions were made, our revenues will fall considerably short of our expenditures and far short of our total financial requirements for the current year. Moreover, as I have outlined, there is already a great excess of purchasing power and we must not add unnecessarily to it.
>
> Secondly, we are all, I believe, agreed that the income tax is the fairest and best tax on which to rely for the bulk of our revenue. More than any other, it takes ability to pay properly into account. We must, I consider, rely upon it as heavily as we can, subject to the limits imposed by its effects on incentive and efficiency. This applies as well in the lower brackets as in the higher. We cannot secure proper equity and fair treatment if the exemptions from income tax are so high as to exclude most of those receiving incomes.

There are three points which I wish to deal with in this regard. The minister says, first, that we would not be justified in exempting this class from taxation; second, that we could not expand demand at this time owing to the shortage of goods; and third, that to increase exemptions, as proposed by various organizations, would bring about a serious loss of revenue.

Dealing with the first of these points, I would remind the government that during the war when they were continually asking the people to make great sacrifices and to accept the burdens of total war, they held before the people the hope that after the war the government would introduce a new social order. As a matter of fact they went beyond that, because the Prime Minister said that unless this new social order was well on the way before the end of the war we might look for it in vain. Several times during the war we in this group reminded the government that similar statements had been made repeatedly during the war of 1914-19. The government spokesman assured us, however, that the situation to-day was entirely different, that we could not compare conditions in this war with conditions in the last one, because we had now expanded production to the point where we could give everyone a decent standard of living.

I think the people are beginning to realize that the new social order is drifting further and further away instead of coming nearer. We must realize that we cannot hope to attain that order by following in the ruts of the past. If we are to attain it we shall have to blaze a new trail or we shall become bogged down as we were between the two wars.

The Minister of Finance, when he spoke, compared our exemptions with those given by other countries, and I admit that the comparison was quite favourable. But I think he overlooks one important point. The people of this country are not interested in what exemptions are allowed in other countries; they are interested only in what exemptions can be given here. Therefore the first important point for us to consider is whether or not these exemptions can at this time be raised higher than they are; and the second point is, would such a policy benefit not merely the people who are exempted from taxation but the people of Canada as a whole.

I do not think there is any doubt that the answer to both questions must be in the affirmative. First of all, in considering the question it is well to remember that we in Canada are blest with more resources per capita than the people of the great majority of other countries. We have an income of around $11 billion, which means an average of $3,000 for a family of four. The first step to be taken in any new social order should be, therefore, to raise the standard of living of people in the low income group. We should attempt to establish a minimum standard of $1,200 for single persons and $2,000 for married people.

To come back to the question, would exempting these low income groups benefit Canada as a whole, the minister will agree that the most important problem before us at the present time is to expand production as

rapidly as possible, especially the production of consumer goods so that we may have at all times a brimming pool of consumer goods from which the people may draw. I would say that one of the logical ways to help maintain production would be to maintain a contented people. The minister will agree that the high rates of taxation to-day are causing wide discontent among the workers of the country. One of the best ways to prove to them that we are really sincere in this matter is to bring about a substantial reduction of taxation to the people in the low income groups, thereby ensuring that they will be able to have a better standard of living in the future.

The next point of the minister was that we must not expand demand at this time because we already have a large volume of purchasing power in circulation. While it is true there is no actual lack of demand on balance to-day, largely owing to the fact that we have an accumulation of war savings and that large benefits are being paid out to the men of the armed services, nevertheless we must not forget that there are in Canada to-day many people in the low income groups who have no savings. I am well aware of the fact that some people will say that they should have. They charge that had these people saved during the war they would now have savings. But let us not forget that before the war many in this group were unemployed and probably on the relief rolls, thereby enduring a standard of living far below that which anybody should be asked to exist on; they were persons who had to do without things which most of us would consider to be absolutely essential. Within a year or two after the war started these people were able to jet a job, but even after they obtained jobs there were so many things they required that they were not in a position to save much; and just about the time that they might have been able to save something the government brought about the heavy increase in taxation in 1942. Therefore they were not in a position to accumulate savings.

However, if the minister is going to argue that to increase exemptions at this time to $1,200 for single persons and $2,000 for married people will be inflationary, then I would remind him of what the leader of this group the hon. member for Peace River, suggested when he spoke. He suggested that we should give to such persons tax bonds in return for the money obtained from them; in other words, that we should adopt a policy of deferred tax remissions for those in the low income groups. On several occasions during the war I emphasized the need for compulsory savings. I pointed out that we were accumulating a large amount of debt claims. I know that during the war people sought to soft pedal the idea that the national debt would do the country any harm. As a matter of fact many said that in reality a national debt was a national asset, because everybody who had a share in it would be receiving interest, and therefore so long as the debt was owned internally there was nothing to be concerned about. That would have been true if the national debt had been distributed equitably amongst the people so that all the people would have had a claim against the debt or asset if you like to call it that. But unfortunately during the war the method of financing did not help to bring about an equitable distribution of the debt. I should like to remind the minister that during the war loan campaigns we generally found that approximately one-third of one per cent of the subscribers purchased sixty per cent of the total subscriptions, thereby bringing about an inequitable distribution. However, if at that time our proposals had been accepted whereby persons in the low income groups would have not paid any taxes but merely accumulated compulsory savings, then they too would have had a claim against those accumulated debt claims. Then at the end of the war, just as soon as production had increased to the point where it could take care of the demands of the people, the compulsory savings could have been paid back to them, and in that way those in the low income groups would have been able to share in the benefits of expanded production at the end of the war.

Such a policy of deferred tax remissions or tax bonds instead of taxation would have been a partial insurance against a depression in the future. In that regard I should like to quote from a speech made on October 7, 1942, at Montebello, by the deputy minister of finance, Doctor Clark, which reads as follows:

> The same philosophy which has led to these very high taxes in war time is likely to dictate a reversal of that policy in the post-war years. To-day, demand is far in excess of supply. Consumer purchasing power is far in excess of the available supply of consumer goods and services. The taxing authorities therefore must, through high taxes, syphon off as much as possible of that surplus purchasing power if we are to avoid all the evils of inflation. On the other hand the post-war period is likely to pose an entirely different set of conditions. If we may judge by the record of the past, we are likely to see, after a temporary period of dislocation and hesitation followed possibly by a consumer goods purchasing boom, a period during which unless the state acts aggressively and intelli-

gently to prevent it, supply or potential supply may tend to be far in excess of effective demand.

What will then be needed is to safeguard against deflation, not to prevent inflation. If we are to avoid a long depression and mass unemployment, the policy required will be one of stimulation of the economy, one that will create expansionist tendencies, one that will provide incentives to expansion of production, one that will encourage the consumer to spend and expand his purchasing power. In short, one which will keep the national income from falling to abnormally low levels.

In his report of 1946, the governor of the Bank of Canada emphasized exactly the same point and said that in a few years our major problem will be to maintain an effective demand against the production of the country. Therefore, as I say, one method of helping to insure against lack of effective demand in the future will be to build up a reserve of purchasing power in the hands of those who are in the low income groups. Building up large reserves of purchasing power in the hands of those who are already well-off will not be any guarantee against lack of effective demand, because these people are already spending the money to buy the goods they require. On the other hand, those in the low income groups will not be in a position to spend unless they have a reserve of purchasing power. Such a reserve of purchasing power can be built up by the remission of taxes to the people.

The Minister of Reconstruction and Supply has suggested that a shelf of national projects should be built up to take care of the situation. I will agree that in part it may help to meet the situation. Building up a reserve of purchasing power by remission of taxes would also help to take care of a depression.

At this time I should like to emphasize the fact that, in the final analysis, in order to guarantee that this country may run on an even course without depression we shall finally have to come to the proposals which this group has made from time to time; that we shall guarantee to the people a minimum standard of living up to the full capacity of the country to supply by the payment of consumer credits directly to the consumer.

Once or twice the minister has twitted us on the point that during the war he has not heard much about social credit. Of course the reason is obvious. The purpose of social credit is to distribute surpluses. In war time, owing to the demands of war there are no surpluses to distribute, but from now on I can assure the committee that it will be hearing more and more on this point, because as our problems increase social credit is the only solution.

The last objection of the minister to raising exemptions was that it would cause a loss of revenue to the government. In that regard I should like to quote the minister's own words, to be found at page 3589 of *Hansard*:

So we are brought back to this, whether we like it or not and whether or not it is popular; we are brought back to the necessity of equating revenue and expenditures when we have high employment and a high national income.

Earlier he had said:

This question was raised by the financial critic of the opposition in the opening speech, when he asked: "Do we or do we not believe in deficit budgeting?" Well, Mr. Speaker, I must say I cannot see how a responsible government or a responsible minister of finance could possibly advocate a system of continued deficits in the Dominion of Canada, that is, deficits year after year, year after year.

First, I might refer to a speech made by the chairman of the advisory committee on reconstruction, in 1943, which appears at page 29 of the proceedings of the senate committee on economic reestablishment and social security. He was speaking of the need for national projects after the war, and it is interesting to note what he has to say on this question raised by the minister, in regard to lack of revenue:

I wanted to add one further point there, namely, that the recognition of that policy of public investment as a marginal factor to take up the slack of private investment at any period implies the necessity of a complete change in our budget philosophy. We should still have an annual budget for probable revenues and expenditures; but so far as public investment expenditures are concerned for the construction of all kinds of projects, it would obviously be necessary to have a budget which extends over a period of years. Mr. Churchill two Sundays ago suggested four years as the period for a plan. That may be perfectly right, politically thinking, but economically I prefer a period of seven or ten years. It may also be true—I mention this because somebody may think of it—that the adoption of that policy will mean a slight but continuous increase in the total public debt of Canada over the next hundred years.

In other words he suggested we would require to have unbalanced budgets for the next hundred years. My only observation in that connection is, why stop there; why not admit that you are bound to go into debt year after year, as long as you continue under the present system? You have only to look to the past to see that since confederation we have had only fifteen balanced budgets, in a period of seventy-eight years, and to realize that we shall probably be doing the same thing in future. If we could not have balanced budgets when the national debt was only two or three billion dollars, is it likely that we shall have balanced budgets when the debt has increased to around sixteen billion dollars? No. My point is that even in the years when we had a balanced federal budget the public debt increased. For instance,

from 1924 to 1929 we had balanced budgets, and the national debt decreased by $250,000,000. But the debt of the provinces increased by over $500,000,000, so that even in that period the public debt increased by over $250,000,000. Really what we did was this. By this government forcing the provinces to accept responsibility for certain payments it balanced its own budget but forced the provinces into debt. If it is a question as between the provinces or the dominion going into debt, I should say it would be far better for the dominion to do so because it has access to certain types of funds which are not available to the provinces; or, as we say, it can use national money and avoid going into debt in any shape or form.

The interesting point in the minister's speech was his statement that we must attempt to have a balanced budget. Just to show how much faith we can have in that proposal, I would suggest to the committee that we read what he said in September, 1939, in regard to the financing of the war, and see how far short he fell in carrying out that policy. Then have we any reason to believe he will be able to fulfil his promise in that regard in future? This is what he said in the budget speech of September 12, 1939, at page 140 of *Hansard*:

> All this is not to say that a small and carefully regulated amount of credit expansion may not be desirable in the early stages of the war in order to assist the increase of production and employment . . . However, as soon as the expansion of employment and production gets well under way and certainly before it approaches its limits, further expansion of the supply of money and credit must be stopped if the danger of progressive inflation is to be avoided.

When did the minister follow that policy? Just as soon as we had reached the position of full employment and high production, the minister said there should be no further credit expansion. In 1943, 1944 and 1945 we had a high level of employment and a high income; yet in each of those years we had an expansion of credit to the extent of hundreds of millions of dollars. The reason is, of course, obvious, and I shall deal with that later on. In spite of the heavy taxation and large borrowings from the people, the government still lacked funds to meet its expenditures. In the last year of the war, 1945, the deficit was around one and three-quarter billion. How did we make up those deficits? Partly, as I say, by borrowing the savings of the people, and partly by the creation of new money. We borrowed from the chartered banks something in the neighbourhood of $3,000 million in new money. Why was that done? The minister knows the reason. We borrowed that money from the banks in order to maintain a maximum war effort. The Prime Minister promised the people time and again that no financial restrictions would be allowed to impede the war effort. If the people had been familiar with the social credit proposals they would have seen that even in war time it would be necessary to have the creation of money. I say the reason is obvious. We have emphasized the fact that owing to certain practices which are inherent within the system, industry can not maintain an effective demand against its own production; that is to say, it does not distribute sufficient purchasing power to maintain a demand against the goods it produces. That is in peace time. Then in war time the government became the greatest purchaser of goods and material in the country; and in spite of the fact that they taxed the people just as far as they dared tax them, in spite of the fact that they borrowed all the savings of the people that they dared borrow, still they were not able to get enough money to buy the goods and services they required. Therefore, in order to make up that deficiency in their purchasing power, they had to create in the neighbourhood of $3,000 million during the war.

One of the main purposes of taxation during the war was to curtail spending, because fifty per cent of our production was going for war purposes. To-day the war is over and the total production of the country is once more available to the people. Therefore, as Doctor Clark suggests, in the very near future we shall have to bring about a considerable reduction in taxation in order to maintain an effective demand against our production. In his book entitled "The World Crisis," Mr. Churchill warned of the aftermath of the war. The hon. member for Muskoka-Ontario began to quote it the other day but did not read the full paragraph, and I should like to put the whole statement on record. Referring to armistice day, November 11, 1918, which concluded the first war, Mr. Churchill said:

> A requisition for half a million houses would not have seemed more difficult to comply with than those we were already in process of executing for 100,000 aeroplanes, or 20,000 guns, or two million tons of projectiles. But a new set of conditions began to rule from 11 o'clock onward. The money cost, which had never been considered by us to be a factor capable of limiting the supply of the armies, asserted a claim to priority from the moment the fighting stopped.

It is sometimes surprising the way history seems to repeat itself. During the discussion on the health estimates the Minister of National Health and Welfare began the same old story all over again. When we were

discussing old age pensions, advocating a pension of $50 a month at the age of sixty, the Minister of National Health and Welfare told us it would be impossible to do this because it would cost too much money and that the government did not have the money. When an hon. member from this group suggested that national money could be used, the minister once again returned to the old story about turning the printing presses loose. I am surprised that the minister should insult the intelligence of hon. members by such an asinine remark, because, as I have said, during the war when we wanted to expand the war effort of the country we did not hesitate to create $3 billion in new money for that purpose. When we created that $3 billion of new money, did we turn the printing presses loose? The government knows very well we did not. It is true that there was an increase in the amount of dominion notes. We increased them to the extent necessary to satisfy the requirements of the people in that regard. That was only a small percentage of the total amount of money issued. During the war did we ever hear the Minister of Finance say that we could not have tanks, ships or aeroplanes because no money was available? One thing and one thing only was taken into consideration in connection with the war effort, and that was: What are our material resources? So long as we had the men and materials available there was no suggestion that we could not have ships, tanks and aeroplanes because we had not the money to pay for them.

To the extent that a fair and equitable system of taxation fails to meet government expenditures, national money must be created. Otherwise we are bound to have an expanding debt, as was suggested by Doctor James, chairman of the reconstruction committee advising the government. In the past we have urged that national money should be used by the government to make up the deficiency in revenue. In the past it was argued by the Minister of Finance that national money would be more inflationary than money issued by the chartered banks. I do not think the Minister of Finance would argue that to-day, because I know the officials of the Bank of Canada will not argue it. They take the stand that they are thoroughly capable of controlling the actions of the chartered banks, even though national money is issued.

Mr. ABBOTT: I hesitate to interrupt the hon. member, because I always listen with keen interest to his remarks. I must point out however that he has strayed a long way from resolution No. 2. He began in perfect order, but he has now launched forth into a subject which is foreign to the resolution.

Mr. QUELCH: Speaking to the point of order, may I say that the Minister of Finance attacked the proposal to raise exemptions on low incomes to $1,200 and $2,000 on the ground that it would result in a lack of revenue to the government, and that the government would not have money to finance its operations. I am showing a way in which it can be financed.

Mr. ABBOTT: My hon. friend is doing it most ingeniously, then, because I think he is still out of order.

Mr. QUELCH: I shall conclude my remarks by summarizing what I have already said. The greatest need to-day is an expansion of production to meet demands. One of the greatest obstacles to such expansion is the high taxation of low incomes, because it causes discontent among the workers. As pointed out by Doctor Clark and the governor of the Bank of Canada, one of the greatest dangers in a few years will be the lack of demand for goods produced. Therefore we urge that in order to restrict demand now and to provide for a reserve of purchasing power later, tax bonds should be issued to people in low income brackets, instead of imposing taxation upon them. Then, to offset loss of revenue, national money should be used. There would be no danger of inflation, because money would be issued only to balance demand with supply. Therefore we in this group urge that the exemptions for single persons be raised to $1,200 and for married persons to $2,000.

Mr. GOURD (Chapleau) (Translation): Mr. Chairman, I intend to speak on taxation and on the gold mines of my constituency, in order to inform the government, in a spirit of co-operation, of the views of my constituents.

As everyone knows, the mines of Northwestern Quebec, more than anywhere else in the country, have been adversely affected by the decision to establish the parity of the Canadian dollar with the American dollar. Our mines have thereby lost a 10 per cent. premium and the price of gold fell from $38.50 to $35 per ounce. I have heard the opposition voice destructive criticism, inasmuch as they were attacking the masterpiece of the present government, its fight against inflation which has been successful up to now. In view of the tremendous increase in prices of goods in other countries, and even

in the United States, it is not necessary to expound lengthy theories to show the efficient administration and the foresight of our ministers, and especially the Minister of Finance (Mr. Ilsley).

Mr. Chairman, the people benefit by the maintenance of prices at a low level and, as usual, our government has taken steps in order to protect the people, over the protests of certain financial interests.

I wish therefore, on behalf of my electors, to congratulate the ministers for the fight waged against inflation during the war and during the difficult post-war period. The decision arrived at in regard to the parity of the Canadian dollar seems excellent, inasmuch as it is part of a series of measures necessary to control inflation. However, I deem it my duty to acquaint the government with certain disastrous results of this decision, in order to suggest new remedial measures not with a view to eliminate what has already been done but to supplement it.

The decision in regard to the parity of the dollar has affected the gold mines of northwestern Quebec especially in two different ways:

First, if gold sells for only $35 per ounce, those mines operating on a small margin of profit, and especially those having low grade ore, will show a deficit, and will have to close down, particularly now that the prices of materials have increased and that they are facing demands for higher wages on the part of their employees. Other mines that may continue their operations will be forced to leave underground a large quantity of gold which they cannot mine profitably with gold selling for $35 per ounce but which they could extract when the price was $38.50 per ounce. Mr. Chairman, I wish to draw the attention of the government to the enormous loss of gold which will result.

Second, it has taken away the confidence of the public in our gold mines. The stock market went down to a point which we had not known for several years. Unless some countermeasure is taken immediately to remedy the situation, mines in the stage of promotion will be abandoned. I must draw the government's attention to the fact that all gold or base metal mines now in operation had to be promoted and without the help of the public who, in the early stages, had the courage and far sightedness to take risks inherent in all mining venture, Canada would now be a small country deprived of its mining industry, which is essential to its economy. If we force companies in promotion out of business, we shall deprive Canada of its future mining industry.

We must therefore ensure a reasonable profit to producers whose working expenses are out of proportion with the value of their production, and to mines being promoted so that they may one day operate. In addition, in ensuring the development of this industry, we must help prospectors in finding purchasers for those mine fields because, according to Mr. Dumulon, Chairman of the North Western Quebec Prospectors Association, they have been badly hit by the decision regarding the parity of the dollar.

I wish to insist on the fact that no commercial enterprise has any chance of success unless the profits are proportioned to the risks taken by the investors. There are exceptionally great risks in the mining industry and they must therefore be balanced by exceptionally large profits for those few who have the chance of succeeding. I wish to mention the report of the Senate's Natural Resources Committee where it is stated that, in the Province of Ontario, only one half of one per cent of all mining enterprises are successful. I also wish to refer to the statistics submitted to the said committee by the Western Quebec Mining Association, showing that the income on the average investments in mines, when the mining enterprise is successful, is not more profitable than investments in government securities at 3 per cent.

I shall give a brief summary of the importance of the mining industry—I shall however quote only statistics for the year 1941, as they are more complete.

Production in Canada	$866,293,000
Production in the province of Quebec	255,269,000
Salaries paid by mines in Canada	176,700,000
Salaries paid by mines in Quebec	29,600,000
Total amount of main taxes paid by metallic mines in Quebec....	8,601,809
Population of the mining counties of Témiscamingue and Abitibi..	108,101

Farms occupied in the county of Abitibi, 7,357; which shows an increase over 1931 of 204·9 per cent.

Moreover, Mr. A. O. Dufresne, deputy minister of mines for the province of Quebec, has issued some statistics on the gold, copper, silver and lead mines of Quebec, practically all of which are in my northwestern Quebec area:

Value of products.....	$59,581,000
Cost of fuel used	8,767,000
Cost of electric power used.....	2,097,000
Cost of goods supplied to mines....	6,158,000
Cost of lumber used in mines, and for building purposes by mines..	528,000

If nothing is done, here is briefly stated what will happen: the development of the mining industry will come to an almost complete standstill; the future of northwestern

Quebec and its important contribution to this country's economy will be annihilated, and within six months many localities in that district, which are now so busy, active and hopeful, will become ghost towns; Canada will lose right now and especially for the years to come an important gold and base metals production; the greater part of the employment resulting from the development of the mining industry will disappear; farmers, manufacturers and merchants will lose the important market afforded by a prosperous mining industry; the government will lose enormous sums in taxes; the stability of Canada from the standpoint of its trade and its monetary relations will be affected, and instead of being a help in inflation control, that decrease in the production of the mining industry itself and of the industries that depend on it, and the resulting halt in the economic development will have the opposite effect.

Moreover, if ever the world price of gold decreases, Canada will have lost forever the opportunity to transform into salaries and other national wealth the gold ore that is now useless and unproductive.

May I quote again from the report of the Senate committee:

(Text):

Lack of understanding of the position and economic value of the gold mining industry in Canada would appear to be a major cause of the present situation of this industry.

(Translation):

I have had numerous interviews with my constituents; I have attended a large number of meetings of public bodies of all kinds and, moreover, I have received many letters, reports and telegrams. I wish to make the following suggestions in keeping with this first-hand information and on behalf of the mining profession:

First, the paying of a bonus for the promotion of prospecting, exploration and development work, especially in connection with low-grade ore mines.

Second, the raising from 33⅓ to 50 per cent, of the depletion or capital reimbursement allowances for all mines, as recommended by the Senate committee on natural resources.

Third, the raising of the depletion allowance over the 50 per cent level in the case of low-profit mines dealing with low-grade ores; the increase in this allowance being inversely proportional to the profit margin.

Before resuming my seat, I would like to read a telegram which I received from the cooperative head office of my district, the Abitibienne cooperative society, because it reflects the feelings of the cooperators of my constituency:

[Mr. Gourd.]

David Gourd, M.P., Ottawa

Still protest against taxing of cooperatives. Refer to difference between members and non-members. Protest against compulsion in paying patronage dividends within six months. Retroactive effect of legislation may result in serious trouble.

(Signed) L'Abitibienne.

The signature "Abitibienne" is that of the cooperative head office of my district.

I am happy to see that, as far as possible, the government has taken these feelings into consideration, in spite of the tremendous pressure brought to bear by adverse financial interests. After examining the proposals, I find that most of the cooperative associations of my constituency will not be called upon to pay such heavy taxes as I feared, because they are real cooperative associations rather than groups of tradesmen who, under the guise of cooperative associations, are attempting to avoid paying taxes to the government.

Mr. CHURCH (Text): I am surprised to see this section 21(b) in the budget resolutions in this form. The government is legislating, as to income tax, not for this year but for 1947 and subsequent years. I come from a city which is now paying nearly one-third of all the cash income taxes paid in the dominion, and I object to this way of doing things. During the war we were promised two things. At that time the people were taxed to death and controlled to death, and now, fifteen months after the war, they are more taxed and more controlled than ever—so much so that we are on the verge of becoming a straight socialist state. Taxation is driving many of the small business men of this country out of business Just look at the paltry deductions allowed—only $300, $100, $300.

Two years ago family allowances running into hundreds of millions of dollars were introduced. We should consider the case of those who became ill. Take the working classes in your constituency, Mr. Chairman, or in the constituencies of Montreal, Toronto, Hamilton or Vancouver; how often the working people in those districts take ill and find that their doctors cannot get them into the hospitals or cannot get them any nurses or domestic help during the period of illness. They closed down two of the largest floors at Toronto general hospital—no nurses. The splendid Victorian Order of Nurses go around to the homes of the working classes for $2.50 a week but the sick get no help from the government in the way of deduction allowances. In many cases they have to borrow money from anybody they know. Any member of parliament knows that. There are

hardly any nurses, but they have what they call practical nurses. I have five or six letters on this matter from my constituents. I wrote the wartime prices and trade board, and the secretary in reply informed me that there are no regulations with respect to nurses. I may say that the Quebec legislature has done something; it has decided that if nurses are to charge $6 a day they should have other capacities and qualifications than being able to help in the house, they must have a certificate from some hospital.

People are taxed and controlled to death, and they cannot get the services they need. If they need to get into a hospital there are no vacancies. Since the war was over, a year ago, a considerable body of workers in the industrial centres have remained in the cities and want to stay there, but they cannot find a place to live, and there is an extraordinary number of cases of evictions before the county court judges. I was talking to one of the judges last Sunday, and he told me about some people who were to be evicted, with no place to go.

The present high tax levels disastrously affect, with practically no deductions, all classes of our people. It was reported that the Minister of National Revenue made some promises in this direction, and though he denied that he said it, if he did not say it, others did. I have heard it in the Toronto district; I have read of it in the newspapers. I accept the word of the minister, but the fact remains that the statement attributed to him was publicized all over our city by the *Globe* and the *Star*. They made big headlines about it.

Our people were promised a year ago, after the war, "death to controls". Now they are controlled and taxed to death. Consider the position of the working man who has to pay $6 a day to a so-called practical nurse who may not know enough to give an injection. The law in Quebec is better than that, and I believe there should be a dominion-wide law requiring that a nurse must be qualified when required in the home. Enough qualified nurses are not available.

We are now legislating for 1947. The government did the same thing before, and then, when the year arrived that they were going to reduce taxes they changed the schedules around. The book of statistics with the green cover in the possession of my hon. friend contains a lot of statistics and we now have the new schedules for 1947, which is a matter for next year's ways and means committee. What we are doing now is just wasting our time; we have talked all day and have passed only one section; the second section, paragraph (b) is still before us.

I suggest that some protection be provided by deductions for the ordinary working man who has to get a nurse once in a while, and that some further allowance should be made. A reduction equivalent to only $300 is not enough; it would not last a week where a patient's condition is serious and getting worse. I know the case of a man in my constituency, where the doctor insisted that he get another practical nurse; one will not do to-day; he has to get two, at $6 a day, plus room, and meals must be provided as well. I sent his letter to the wartime prices and trade board. I hear now that another temporary nurse is wanted; and the man simply has to borrow money.

I do not know where all this is going to end. The other day in the reading room I was looking at one of our papers in which a plea was made for cash: everybody wants cash; especially the government wants cash to carry on the business of the country. To my mind there should be a halt. If we are to legislate for 1946 let us legislate for 1946 and pass the ways and means resolutions. Do not be tinkering with the supposed requirements of 1947 and the following year. The government may not be here then. The way they are carrying on now they probably will not be; since at times we are having some close votes.

I venture to say that the right hon. and learned member who is the leader of the house—an estimable gentleman—could himself give some information as to the extent that people in the city he so honourably represents are complaining about the same matters. I appreciate what the government has done in the sphere of family allowances, but when you pass all this you will have to go over the same story when 1947 comes. I urge that some additional allowance be made in these deductions for especially urgent, important and extraordinary cases such as I have suggested.

The hon. member for Temiscouata made a forty-minute speech this morning on the resolution. The other day one of the newspapers, noting that he and I sit at opposite ends of the chamber, called us "those two inimitable end-men" as if we were in a minstrel show. I am not going to imitate the other end-man to-day by making a forty-minute speech to hold the line, so that I have confined my remarks to four or five minutes; but I would conclude by pointing out that there is general complaint that it is impossible to get nurses or any kind of help, and that the deduction amounts to practically nothing; it might just as well be wiped out. What is the use of talking about $300? That does not pay nurses and medicine for one

month. I feel that reasonable deductions and some allowances should be made for these urgent and most unfortunate cases.

Mr. HODGSON: Further to the question of the hon. member for St. John-Albert, I understand that he mentioned domestic help, and income tax returns in respect only of domestic help. Does that take into consideration farm help and labour in camps, mines, et cetera, where labour is boarded on the job? There seems to be a difference when you make out the income tax return. For instance, in his return you add on $26 and you charge income tax on that; in Quebec it is $15 and you charge income tax on that. I should like to know what the rate is for Ontario and the rest of the provinces.

Mr. ABBOTT: I cannot at the moment give my hon. friend the information. I am advised by the deputy minister that uniform rates are or should be in effect across Canada with respect to the amount which must be included in income as an amount in lieu of board and lodging. What the rates are in Ontario I do not know, but I can get that information and give it to my hon. friend a little later on in the course of the debate on the resolutions. But the general principle is that employed persons who receive as part of their remuneration board and lodging are obliged to account in their income tax return for the value or an ascribed value of that board and lodging.

Mr. HODGSON: I wanted to know if there was any set rate.

Mr. ABBOTT: The same principle applies to men working in lumber camps, on farms or anywhere else as in domestic service, but whether the rate is the same I am not in a position to say. Section 3, paragraph (e) of the Income War Tax Act states:

> (e) personal and living expenses when such form part of the profit, gain or remuneration of the taxpayer or the payment of such constitutes part of the gain, benefit or advantage accruing to the taxpayer under any estate, trust, contract, arrangement or power of appointment, irrespective of when created.

Mr. HANSELL: I desire to waste a little of the time of this committee in talking to this particular resolution, No. 2, involving exemptions of income tax. I desire to do so because I have received many letters and telegrams of one kind and another from individuals and organizations requesting that I support them in their demand for exemptions from income tax to the extent of $1,200 for single persons and $2,000 for married persons. I desire to do so now. I do not know that I am going to discuss or to recommend to the minister how he should readjust the tax structure to make this possible, because I realize that the present administration is working within the confines of certain financial rules and, I do not care what party it is, working within the confines of those rules they will never be able to alleviate the tremendous burdens of taxation that now rest upon the people. With our huge debt and expenditures the rules will not permit them to do it, and until they change the rules, the people must know that for generations to come, for ever and a day, they will be burdened with heavy loads of taxation.

I should like to ask the minister just what starting point the government uses to determine the exemptions the people of Canada should get from taxation. If my guess is right, and I think it is, they start somewhat in this fashion. They outline their year's programme. They say: We are going to do this, and we are going to do that, and it is going to cost us so much money; therefore we shall have to get that amount of money from some source; if we are to get that money from somewhere we must devise ways and means of getting it, and we have only one way of getting it, namely, to tax it out of the people. That seems to be the government's starting point. But what should be the proper starting point? It should be something like this. They should calculate what is a reasonably good standard of living for every individual, whether he be a single or a married man, and then say; We will refuse to tax anyone who does not come up to that reasonably good standard of living.

Mr. KNOWLES: And take steps to bring the people up to those levels.

Mr. HANSELL: Yes. That involves a method of getting incomes for them, but at the moment I am talking about exemptions from taxation. Let them decide what a reasonably good standard of living is, and then say: We will not tax anyone below that. Is that not the common-sense way of looking at it? Let the minister answer yes or no, now.

Mr. ABBOTT: What is the question?

Mr. HANSELL: Must I go all over my speech again?

Mr. ABBOTT: I was doing my best to follow it, but was just a little bit confused.

Mr. HANSELL: I say, when the administration decides on how high an income should be before it is taxed—

Mr. ABBOTT: That is decided in this resolution. That limit is suggested in the terms of the resolution.

Mr. HANSELL: I know, and that is what I am getting at. The limit is too low. I want to know how the government arrive at the figure. Is it not reasonable to suggest that the starting point should be the determination of what is a reasonably good standard of living? Let me ask this in the first instance: Do the government want every individual in Canada to have a reasonably good standard of living? Do they or do they not?

Mr. ABBOTT: The answer to that, of course, is yes.

Mr. HANSELL: Of course it is yes. Well now, what is a good standard of living?

Mr. LESAGE: What is it? Have you calculations for that? What is the average cost of living?

Mr. HANSELL: I think I have an extremely good calculation, and that is my common sense when I go to buy things and have to spend money in order to live. We have evidently a confession from the minister, because he must consider that $62.50 a month is a reasonably good standard of living.

Mr. ABBOTT: No. I do not necessarily concede that.

Mr. HANSELL: Well, the resolution calls for exemptions of $750 in the case of single persons and $1,500 in the case of married persons, and for the single man that works out at $62.50 a month. So that is the starting point. But that is not when their tax begins. That does not mean that they have $62.50, taking the low figure, because they are taxed at every turn. Suppose they begin to spend that $62.50 for food—because they cannot live if they do not eat. Well, the moment they begin to spend their money on food, they find that they are taxed on their food. There is a sales tax on all that a man eats.

Mr. ABBOTT: Most food, I think, is exempt from sales tax.

Mr. HANSELL: Perhaps the minister can put something on the record to indicate that. To my mind, of all criminal offences that can be committed none is so great as what I would call the confiscation of food from the people's mouths. One of the most vital foods for human existence is sugar, and that is taxed. The member for Edmonton East says that all foods are taxed.

Mr. ABBOTT: Let him look at schedule 3 of the Special War Revenue Act, and he will see that he is mistaken.

Mr. HANSELL: Very well; we will look that up. However, $62.50 is not what a man has to live on after we have deducted all his taxes. I do not smoke myself, but I do not begrudge a man a smoke, and if he smokes, he is taxed. If he buys a chocolate bar, he is taxed. If his youngster goes to buy something—well, I do not see how he can have a youngster on $62.50 a month.

An hon. MEMBER: In that case he would be single.

Mr. HANSELL: My friend is wrong. He has $62.50 a month for himself and $62.50 for his wife. Therefore they have $1,500 for both, which still leaves them $62.50 each.

Mr. ABBOTT: Two can live as cheaply as one.

Mr. HANSELL: If their youngster buys a chocolate bar he is taxed; if he buys a bottle of pop, he is taxed.

Mr. RINFRET: He has family allowances.

Mr. HANSELL: If he uses electricity he is taxed; if he uses a telephone he is taxed. If he has a car—and goodness knows how he can get a car out of $62.50 a month—he is taxed. If he wants to drive somebody else's car he is taxed.

Mr. MACKENZIE: Taxed in the pulpit?

Mr. HANSELL: If the Minister of Veterans Affairs will come to my church—

Mr. MACKENZIE: I shall be glad to.

Mr. HANSELL: I shall tell him that in spite of the fact that he comes from the highlands he is going to put something in the collection plate. If these friends in the lower income brackets desire to get married they have to pay a tax. If the gentleman wants to buy his bride a ring he has to pay a tax, and at twenty-five per cent. If he wants to keep a dog, he has to pay a tax. Therefore, it does not make any difference what the man does, he has to pay a tax.

Mr. ASHBY: Even when he is dead he has to pay a tax.

Mr. HANSELL: Yes. If he has any children my hon. friend across the way says that he would get family allowances; then we are all taxed. Therefore it does not make any difference to those poor people in the lower income brackets. Because they are exempted from income tax it does not mean that they do not have to pay any taxes. It must take all the wisdom that the Liberal party has to discover all the sources of taxation.

Mr. GRAYDON: That is not a very broad base for taxation.

An hon. MEMBER: They have not taxed the air.

Mr. HANSELL: My hon. friend says they have not taxed the air. Yes, they have; you cannot listen to radio broadcasts without paying a tax of $2.50 a year. I can tell the minister how he can get a nice little pile of money, and he will be doing a great service to the country. Whenever I go to a restaurant to eat a meal somebody is bound to drop a nickel into the juke box and blare into my ears some of our western and American culture. Let the minister put a little gadget on these machines so that the rest of us who do not like it can drop in a nickel that will turn the thing off. That is one tax I should be glad to pay.

Mr. ABBOTT: I am glad to hear that, because we have taxed both the machine and the fellow who wants to turn it on.

Mr. HANSELL: Then you will get us coming both ways. You are now getting the tax from the one who wants the crooner's culture, and you will get a tax from the cultured gentleman who does not want it.

The CHAIRMAN: Order. Would the hon. member try to relate his remarks a little more closely to the resolution under discussion?

Mr. HANSELL: Yes; thank you for reminding me, Mr. Chairman. The questions which were asked me took me off the resolution. I was discussing exemptions to the extent of $750 for single and $1,500 for married people. I should like the minister to be able to tell us when on earth he expects to do away with such tremendous burdens of taxation as we have. We are paying $481 million a year to service the debt of Canada alone. Even though we did not go into debt another dollar, the people of Canada would have to turn out their pockets and pay $481 million a year. I should like the minister to tell us when we can expect higher exemptions and less taxation and at the same time meet the interest on that debt alone, without incurring another dollar of debt. I should like any other party to tell me the same thing. I declare to you, Mr. Chairman, that it cannot be done within the confines of the rules of the present debt-taxing game of finance. If it can be done, I want him to tell me how. It is time the people of Canada became aware of the fact that it cannot be done just so long as governments insist on financing by debt-taxation finance.

[Mr. Hansell.]

Mr. ASHBY: I can answer that last question asked by the hon. member for Macleod. As hon. members know, I have been worried considerably especially since I left my parliament in session; I have not even prorogued it. In fact this whole debt problem has been of great concern to me, so much so that I actually went off my feed, as it were—lost my appetite. However, I made up my mind that I would go down to the hotel and get a lobster supper. Whether it was the result of this lobster supper or not, I am not sure, but during the night I had a vision, and I was able quite easily to solve the problem of all these debts. Whether it was the Angel Gabriel I saw standing in the dark doorway of my bedchamber, or whether it was the landlady in her nightie coming to see if I was ill, or whether it was natural for me to gurgle and rumble my tonsils in peaceful slumber, I shall never know. But it did occur to me, how can we solve this terrific problem of debt? Hon. members know that I am interested in the lowly pig; they also know that I am interested in that great and strenuous art of sheep shearing, but they did not know that I was interested in horses. One horse that I was always interested in was one owned by a fellow named Trojan. Since I was a little boy I always wondered what breed the Trojan horse was. I determined to find out, and indirectly I learned how to solve this debt problem. I was disappointed in the horse. When I went to find out what it was, I learned that it was nothing but a hammer-headed, broken-winded, raw-boned, switch-tailed, old Temiscouata pacing mare. On the other hand, Trojan was the very man for our next prime minister. My hopes rose immediately and then fell when I learned that the poor fellow was dead; in fact, he had been dead for approximately two thousand years.

Two delegations waited upon Trojan. The first consisted of the minister of finance, the deputy minister of finance, the assistant to the deputy minister of finance and the assistant to the assistant to the deputy minister of finance, the deputy minister of taxation, the assistant deputy minister of taxation and the assistant to the assistant deputy minister of taxation, and two stenographers. They were not the kind of stenographers some hon. members are thinking of, but they did have this in common; they wore no stockings. These two stenographers were just a couple of elderly gentlemen, knock-kneed, bare-legged and bald-headed, with a saddle blanket thrown over one shoulder and loosely tied about the middle and a string of poplar leaves tied around their heads, carrying a great bundle of papyrus

which they called the budget. They presented to Trojan the records of all the debts that had accumulated during the wars, which amounted to what were tremendous sums in those days. They also complained about the old soldiers of the Trojan wars, the old soldier settlers, and asked, "How in the world can we get them to pay up what they owe?" "Well," Trojan said, "What have you done?" "Well, we have taxed the people. We have foreclosed on homes, farms and factories. We have brought them to their knees and some of them we have under lock and key." "In prison?" asked Trojan. "Oh, no; we have them in insane asylums. We have driven some of them crazy." Well, Trojan just got up and went into the kitchen to get a great meat cleaver, whereupon the suspicious delegation went out through the window.

The next delegation to wait on him consisted of three old soldier settlers of the Trojan wars, worn, weary and haggard, who presented their case. Trojan placed his hand on their shoulders and gave them three pieces of silver, telling them to go to Jones' meat market and buy up all the wieners on sale. Next he sent for the records of all the debts, had them piled in the market place, set fire to them and had a wiener roast. That was two thousand years ago.

The CHAIRMAN: Order. I have been waiting for the hon. member to relate his remarks to the resolution. I would remind him that we are considering paragraph 2, which concerns the exemptions allowed to married and single persons, and the exemptions for children; and I would ask the hon. gentleman to confine his remarks to this paragraph.

Mr. ASHBY: I thought I was on paragraph 2; I thought this had to do with taxation and methods of getting rid of it. What I have said is perfectly true; hon. members can go to the library and find out for themselves that this actually took place. When these debts accumulated in those days they were just burned. Nobody cried about it except the deputy ministers concerned, and everyone knew they were just crocodile tears which soon dried up. Nothing more was said about it from that day to this. There is the solution to this debt problem.

Resolution agreed to.

3. That for the 1947 and subsequent taxation years the deduction of $1,500 from the income of a married person be reduced,

(a) where the spouse has an income of more than $250 and less than $750 by the amount by which the spouse's income is more than $250, or

(b) where the spouse has an income of more than $750, to $750,

whether or not the wife's income is earned income.

Mr. ABBOTT: Following the practice when we began perhaps I might give a brief explanation of the legislation which is to be founded upon this resolution. The effect of the legislation to follow this resolution is to return to the basis of taxation for husband and wife each having an income in excess of $750 to the pre-1942 position, and also to provide for a reduction in the exemption granted to the husband when the wife has an income in excess of $250 but below the exemption limit.

Prior to 1942 the law provided that when husband and wife each had taxable incomes the husband lost the exemption granted a married person, and he and his wife were taxed individually as single persons. As a temporary measure to encourage married women to enter war work during the acute period of labour shortage the law was amended in 1942 to allow the husband to retain the married exemption when his wife had a taxable income derived from employment. The proposal under the resolution we are now considering is that from 1947 onward this special exemption will be withdrawn in order to place their position on a more equitable basis in relation to other taxpayers.

A further change proposed for married couples where the wife has an income below the taxable limits also removes in a large degree a privileged position previously enjoyed by married taxpayers. Under the present law a married man would be allowed to claim the full $1,500 exemption granted because of his wife's dependence on him, and at the same time the wife could have an income up to $750 completely exempt from tax, so that together they would have a combined exemption of $2,250 compared with a total exemption of only $1,500 granted to two single persons having the same income, or to married persons, the wife having no separate income. To remove a substantial part of this advantage we are proposing that when the wife has an income of more than $250 but less than $750 the husband's exemption will be reduced by the amount by which his wife's income exceeds $250. In effect a husband will be given full married exemption when his wife's income does not exceed $250 a year. When the wife's income exceeds this amount the $1,500 allowance given the husband is reduced in proportion to the excess of her income over $250.

In connection with this proposal I might perhaps point out to the committee that under the federal income tax in the United States a husband may claim full married exemption only if he includes all his wife's income with his own, which of course is more restrictive than the proposal contained in this resolution; and also that in the United Kingdom a husband and wife living together are compel-

led to file a joint return, though I am advised the husband is allowed a small deduction in respect of his wife's earned income.

Mr. FRASER: The minister said a married man would have an exemption. I know of married couples where the man is a cripple and unable to work, and the wife earns the money. In that case she would have the exemption, would she?

Mr. ABBOTT: This applies to the same extent to whichever consort has the income. I am sorry; I should have made that clear.

Mr. JACKMAN: I had some remarks to make on this section in the budget debate. To my mind it is one of the most foolish provisions of the present budget. I do not often use such strong words in this house, but certainly this resolution will have the effect of withdrawing from the labour supply of the country a great many married women who are in a position to render valuable service. Without doubt it will cut down the service they will give. If I were interested in the theory of taxation and were to do everything according to the book of rules, with little regard to the effect on humanity or on the economic welfare of the nation or on inflation or on production, probably I would do what the minister is suggesting under this resolution. Undoubtedly it is fair and equitable; if a man's wife is working and earning more than $750, then the husband should not be entitled to the marital exemption because both parties are bringing in income. But let us stop right there. What would be the effect of this new provision concerning earnings over $250, which is not a very large amount for a married woman? It will mean that married women without family responsibilities, whose children are grown up or who have not been blessed with children and who work during part of the year, for instance women who might have been domestics or who might do some nursing for thirty or forty or fifty per cent of the ordinary working year, soon find that their annual income exceeds $250. If it does, this provision immediately comes into effect, reducing the husband's income.

Mr. ABBOTT: Reducing the husband's exemption.

Mr. JACKMAN: Thank you; reducing the husband's exemption, which means that he pays more taxes. This discourages the wife from doing further work, and I am sure it will have a direct and immediate effect. There are also many women who work along with their husbands, as in the needle trades. The work is taken from the shop to the home, and the wife receives part of the income. But she very quickly gets an amount larger than $250. I have had a number of letters in this regard from my own riding, and I know that it will apply not only to the needle trades and to domestic services, but also to the nursing profession and many other activities which hon. members may call to mind for themselves.

When he presented his budget the Minister of Finance stated that the most important thing, from the point of view of running the economic affairs of the country to-day, was production; and if there was one thing the budget should make possible it was greater production—not only because production in itself is essential if we are to have a higher standard of living, realizing as we do that we can improve it only if we produce more goods and services, but because we are faced with the grave danger of inflation. Inflation is simply a condition caused by more money than goods available at prevailing price levels. If we want to help defeat this disaster of inflation which we are facing in a very real way, then the more goods and services we produce the greater is the tendency to defeat it. I do not say it will be completely defeated, but the minister has certainly gone on record as saying it would be a help. I think most economists will agree that the more we can produce, the less likely we are to have a serious increase in prices. So while I agree with the minister that there is a certain fairness in this resolution, I believe this is the wrong time to change this part of the act from the way it stood during the war, the way it stands on the books to-day.

The budget is directed to increased production, but now we are asked to come back to a consideration of fairness as the predominant motive. I offer the suggestion to the committee—I hope it will be considered seriously—that this provision is one which should be on the statute book at one stage in a business cycle, and not at another stage. If there are more jobs than people to take them, then we should encourage married women to work, even though there might be a slight element of unfairness. It is not very great. It is almost a dog-in-the-manger attitude to take with regard to married persons both of whom are working. It is not a serious inequality. When there are more workers than jobs available I would put in this restrictive measure. It is restrictive to production, perhaps, but it does help provide work, and it means that instead of two in a family working there will be a greater tendency for only one to work. Therefore I suggest to the acting minister and the committee that the resolution be changed so

that at the present time we put the emphasis on production, and at some later time we might put the emphasis on fairness.

Resolution agreed to.

4. That in respect of income earned after December 31, 1946, the ordinary income tax rate for corporation income be increased from 18 per cent to 30 per cent and from 20 per cent to 32 per cent in a case where a company and its subsidiaries file a consolidated return.

Mr. FLEMING: I am bound to say I find it difficult to relate this resolution to those coming under the Excess Profits Tax Act, in the light of the statements made by the Minister of Finance on June 27. Will the acting minister clarify it?

Mr. ABBOTT: I shall make a brief statement, as I have done with the others. The increase in the rate of corporation tax which is provided in this resolution is a counterpart of the reduction in the flat rate of excess profits tax which, together, have the effect of reducing the flat rate tax on corporations from 40 per cent to 30 per cent. The reduction follows from repealing the flat 22 per cent rate in the Excess Profits Tax Act and increasing the corporation income tax rate by 12 per cent—that is, from the present 18 per cent to 30 per cent. The consolidated rate which is now 20 per cent under the corporation income tax will be increased to 32 per cent. Does that cover the point?

Mr. FLEMING: Not completely. I may be anticipating something the minister may intend to say later on the resolution dealing with amendments to the Excess Profits Tax Act, but I am still not clear as to what is proposed in the amendments to that act.

Mr. ABBOTT: Perhaps I might anticipate that by saying, as I said a minute ago, that the flat rate of tax of 22 per cent under the Excess Profits Tax Act is to be repealed. The provisions of the Excess Profits Tax Act with respect to excess profits, so-called,—that is, profits over 116⅔ per cent of standard—is to be 15 per cent of that excess. I believe the Minister of Finance touched upon this in his speech when he replied to the various points made in the budget debate. So that there will be no flat rate of tax under the Excess Profits Tax Act. The only tax which will remain will be a 15 per cent flat rate on that portion of a corporation's profits in excess of 116⅔ per cent of its standard profit. It may sound complicated, but I hope I have made it clear. When we reach the resolutions under the Excess Profits Tax Act I shall go into it in greater detail.

Mr. MACDONNELL (Muskoka-Ontario): The minister spoke about a flat rate of 22 per cent. Was that not made up of two bits of twelve per cent and ten per cent? I do not know whether there is any significance in it.

Mr. ABBOTT: That was changed last year and made a flat 22 per cent. Originally it was in the form indicated by the hon. member.

Mr. PROBE: Can the minister enlighten the committee with respect to exemptions on corporation incomes subject to taxation? I refer to the heading for advertising, contributions of various kinds, travelling expenses of officials and employees, and entertainment. Perhaps the acting minister would give a general statement on what is meant by depreciation allowances, capital gains and reserve fund taxes.

Mr. ABBOTT: The general rule is found in section 6(1) of the Income War Tax Act, which states:

In computing the amount of the profits or gains to be assessed, a deduction shall not be allowed in respect of

(a) disbursements or expenses not wholly, exclusively and necessarily laid out or expended for the purpose of earning the income.

Then follow a number of other paragraphs relating to depreciation and the like. A corporation or any taxpayer is entitled to deduct from his gross income expenses which are wholly, exclusively and necessarily laid out or expended for the purpose of earning the income. That is the general criterion. Therefore the test must be whether the expenditure for advertising comes within that description; whether the travelling expenses of a commercial traveller, or a company officer or executive, or the employee of a company, come within that general description. This of course is administered by the Department of National Revenue. The taxpayer's accounts are examined to see whether the expenses claimed as deductions are properly claimed having regard to the provisions of the section I have just quoted.

Mr. PROBE: I would presume, then, that the minister provides some limits within which these expenses are chargeable. For example, surely he lays down a maximum which any corporation may charge for advertising, or a maximum percentage of income which will be allowable for travelling expenses or for the entertainment of convention delegates. Is it within the prerogative of an official in the income tax branch to set, according to his own judgment, what the limits would be? It

would seem to me that a corporation could argue reasonably successfully that political contributions, for example, were a legitimate business expense if they had reason to believe that the corporation would be benefited by such contributions.

Mr. ABBOTT: No such claim would be allowed. It would not be a legitimate advertising expense and would not come within the provisions of the section I quoted.

Mr. PROBE: I have reason to believe that such contributions have been claimed successfully as deductions.

Mr. ABBOTT: They should be brought to the attention of the tax department. I am sure they will see that the situation is corrected.

Mr. PROBE: The minister states that contributions of that type for political purposes are definitely not proper deductions?

Mr. ABBOTT: I state that without hesitation; there is no question about it at all. Section 6, subsection 2 reads:

> The minister may disallow any expense which he in his discretion may determine to be in excess of what is reasonable or normal for the business carried on by the taxpayer, or which was incurred in respect of any transaction or operation which in his opinion has unduly or artificially reduced the income.

Mr. FRASER: As I understand it, the tax collector goes into a firm and checks the advertising account. If more has been spent than was spent in the year before he will ask the reason and perhaps will allow only part.

Mr. ABBOTT: I think that is correct. Hon. members of the committee will appreciate that it is difficult to lay down a definite criterion for all companies. Some types of business require to spend a great deal more for advertising than others. During the war period, when the excess profits tax was in operation—and it still applies—there was a quota set for advertising purposes. Firms were not allowed to exceed an amount based on what they had expended during the base period. I do not want to be held to the exact details as to how the quota was arrived at, but one was set. That has now been discontinued, and the normal procedure is that the taxpayer must show that the advertising expense was incurred and was wholly necessary for the purpose of earning the income. However, that is subject to the control which the minister has under the subsection I have just quoted.

Mr. KNOWLES: Is the minister aware that communications have gone out to some firms soliciting contributions—I refer in particular to letters over the signature of one Mr. Trestrail, in which he stated that he had reason to believe that contributions to the kind of thing he was doing would be allowed as a deduction for income tax purposes—which have made this claim?

Mr. ABBOTT: I have no knowledge of the letters sent out by Mr. Trestrail, but I do not know that I would care to accept his interpretation of the income tax law as to what would be or what would not be allowed.

Mr. PROBE: The minister has yet to make a statement on depreciation deductions in connection with plant and equipment.

Mr. ABBOTT: Section 6 provides:

> 6. (1) In computing the amount of the profits or gains to be assessed, a deduction shall not be allowed in respect of
>
> (n) depreciation, except such amount as the minister in his discretion may allow, including
>
> (i) such extra depreciation as the minister in his discretion may allow in the case of plant or equipment built or acquired to fulfil orders for war purposes; and
>
> (ii) depreciation at not more than double the rates normally allowed in respect of plant or equipment built or acquired in a period to be fixed by the governor in council for the purposes of this paragraph, if the taxpayer is, in the opinion of the minister, making a new investment by building or acquiring the plant or equipment.
>
> Provided, however, that the minister shall not allow a deduction in respect of depreciation of assets owned by an incorporated taxpayer from the income of the said taxpayer if he is satisfied that the said taxpayer directly or indirectly had or has a controlling interest in a company or companies previously the owner or owners of the said assets or that the said previous owner (which term shall include a series of owners) directly or indirectly had or has a controlling interest in the said taxpayer or that the said taxpayer and the previous owner were or are directly or indirectly subject to the same controlling interest and that the aggregate amount of deductions which have been allowed to the said taxpayer and/or the said previous owner in respect of the depreciation of such assets is equal to or greater than the cost of the said assets to the said previous owner or to the first of the previous owners where more than one.

There are other provisos but I shall not read them all. They were put in a year or two ago to prevent the possibility of undue depreciation being granted. As the committee will appreciate, the minister is given the discretion as to the rates of depreciation. The department has established recognized rates for various types of assets, movable and immovable, which I believe are applied in a uniform fashion to all taxpayers.

Mr. PROBE: I shall have to digest that statement when I read it on *Hansard*. It is conceivable that over a number of years an entire plant and its equipment might be written off in the normal income tax practice, but the equipment might still have some value.

Suppose that a corporation decided to dispose of an obsolete plant which had been written off and which conceivably could be written off according to the regulations. Would the purchase price received be considered as income for that year, or would it be treated as a capital gain which would not concern the income tax department?

Mr. ABBOTT: If the corporation has had normal write-offs based on the standard rates—none of this accelerated depreciation to which I have referred—and the plant is sold after it has been completely written off to a stranger, someone who is at arms length, that stranger is entitled to take depreciation on the cost of the property to him.

Mr. PROBE: That is fine for the stranger who buys, but how about the seller?

Mr. ABBOTT: It applies to both individuals and corporations.

Mr. PROBE: This obsolete plant has been sold, say for $100,000. What happens to that $100,000 as far as the income tax department is concerned? The plant does not exist but the corporation has had $100,000 of income. Is that considered as current income or as capital gain?

Mr. ABBOTT: It is considered as capital.

Mr. JACKMAN: It might be a capital loss.

Mr. ABBOTT: A capital loss might exist in other circumstances. My hon. friend will appreciate that these depreciation rates must be based on the law of averages. For example, if experience proves that machinery is worn out in ten years and a straight line system of depreciation is used, at the end of ten years the machinery would be written off. If some value still remains the owner is fortunate, but it may well happen that the machinery would be worn out and discarded in five years.

Mr. PROBE: The fact is that if your officials are generous it is by accident only?

Mr. ABBOTT: There are standard rates which are applied to everyone and which, I understand, are based on long experience. I think they are just as close as one can get to what is a really fair rate of depreciation.

Mr. MACDONNELL (Muskoka-Ontario): With regard to the provisos on page 23 of the Income War Tax Act, as I understand it if a subsequent sale is made and the department is led to assume that its depreciation was too great, it may revise it. Does that work the other way, and would the department assume that it had not been generous enough if a loss occurred?

Mr. ABBOTT: As probably my hon. friend knows that provision was inserted several years ago to meet the case of the special accelerated depreciation which was given on the recommendation of the board set up for the purpose of making recommendations in connection with the fulfilling of war contracts. Varying periods of write-off were given, some two years, some three years, some four years. This provision was inserted to provide that if that had proved unduly optimistic the matter could be looked into again. It is on the same basis, if you will, on which war contracts were renegotiated; it is on the principle that it was desired that no one should make undue profits out of war contracts.

Resolution agreed to.

5. That the exemption of investment income for purposes of the 4 per cent tax on investment income be increased for the 1947 and subsequent taxation years from $1,500 to $1,800.

Mr. KNOWLES: Will the minister make a statement about this, and perhaps at the same time indicate what will be the loss to the revenue department as a result of the application of this change?

Mr. JACKMAN: Hear, hear; that is what I wanted to know.

Mr. ABBOTT: The resolution is, of course, self-explanatory, and provides for an increase in the exemption from $1,500 to $1,800 under the four per cent tax on investment income. The surtax on investment income is and has been, I think, a feature of all income tax systems for some time. In the 1947 budget we are providing for some—fairly substantial—relief to all classes of taxpayers, and in accordance with that principle the exemption for investment income has been raised from $1,500 to $1,800. Some hon. members may suggest that that is insufficient. It is intended, broadly speaking, to give some relief to that large group of small investment income recipients, of widows who are living on inherited income, those to whom their husbands leave insurance, and that sort of thing, and for that class of person the exemption is raised from $1,500 to $1,800. It does not give any substantial measure of relief to the richer man; I suppose it saves him $12. I am advised that no estimate has been made of what the net cost of this increased exemption

will be to the treasury, but perhaps I can ask the officials to make such an estimate and give it later on.

Mr. MacNICOL: It is a step in the right direction, anyway.

Mr. KNOWLES: While they are getting these figures—

Mr. ABBOTT: I do not guarantee that we can give an exact figure, but we will do the best we can.

Mr. KNOWLES: —will they also consider obtaining some estimate as to the number of these people who are the widows that my hon. friend refers to, and how many are the big fellows?

Mr. ABBOTT: I can tell my hon. friend at once that that would be extraordinarily difficult information to get. It would mean examining all the returns and even getting information about some who may have filed no return at all.

Mr. KNOWLES: Then I think it was unfair of the minister to use that argument.

Mr. ABBOTT: I do not consider it at all unfair. I think it is perfectly legitimate to say you will exempt investment income up to $1,800 from this four per cent surtax. I say that the average retired person who is living on income from savings, or who is a widow —I did not intend to imply more than that there would be widows in the group—living on a return from savings, are exempt up to $1,800. I think it is perfectly legitimate to use that point, because that is the class it is intended to relieve, and I assure my hon. friend and other members of the committee that it is not intended or designed to relieve the man who has an income of $100,000; it does not make any appreciable difference to him.

Mr. JACKMAN: I might say that I do not think the hon. member for Winnipeg North Centre understands this resolution, because the total amount of saving to the taxpayer through increasing the exemption on investment income from $1,500 to $1,800 is four per cent on a difference of $300, namely $12.

Mr. ABBOTT: I said that.

Mr. JACKMAN: I think he will realize that if the administration were endeavouring to help anybody they were not trying to help any of his wealthy backers. Certainly as far as it goes it must be a measure for the alleviation of the very poor people who are endeavouring to live on $1,800 or $2,000, only it happens to be in the form of investment income. They may be annuitants, or something of that kind. It is of no help, I am sure, to the class at which my hon. friends endeavour to aim their arrows. I may say this, that in view of all that has happened to the person who is in very moderate circumstances and whose income does happen to come from investments this is a meagre form of relief, and I should think the Minister of Finance might well have been ashamed to offer as little as he has. What has he done to the small person who has an income from bonds or other securities? First of all, government bonds, instead of yielding $4\frac{3}{4}$ or 5 per cent, are down to $2\frac{3}{4}$ per cent on the investment of their money, a substantial cut. Taxation has gone up substantially also. So that between the two millstones of very much smaller income and very much higher taxation, some of these relatively poor people, receiving $1,500, $2,000 or perhaps $2,500 a year, have been ground so that they have extraordinarily difficult times, and many of them are widows and elderly retired men. It is a class which is deserving of the support of every party of this house without exception; and the administration grants them only $12. True, the wealthy man will also get the $12, and I do not think anyone is going to worry very much about that. There are not many wealthy men anyway. I think the government might well have given some further relief to the particular class at which this resolution is aimed. It is my personal opinion that any minister of finance should be thoroughly embarrassed to offer a measure of relief amounting to only $12. It is no wonder that the department have not estimated the total amount of taxes which will be lost by this measure, because it is probably so small that one could not see it, in relation to the total budget.

Mr. ABBOTT: Just on that point, perhaps I should point out that the proportionate relief of this tax is just about the same as the others. The exemption for married persons was raised from $1,200 to $1,500, and that is a 25 per cent increase; this represents a 20 per cent increase. It is in line with the increases in other exemptions.

Mr. JACKMAN: Twelve dollars!

Mr. ABBOTT: And the same class benefit from the general reductions. I think it is fair to say that it would not have been proper to have given relief to the other classes and not have given proportionate relief to this group.

Mr. KNOWLES: Is any distinction made between those to whom this is their only income and those to whom this is an addition to other income?

Mr. ABBOTT: No.

Mr. KNOWLES: I really think that the minister and the hon. member for Rosedale hardly expected their implication to go unchallenged that we are dealing here with a great mass of poor people.

Mr. ABBOTT: I did not say "a great mass of poor people".

Mr. KNOWLES: The hon. member for Rosedale talks about the great class of poor people who are living on only $1,500 to $1,800 a year of investment income. People who have sufficient investment to have that much income on it a year do not stop there. They do not come from the ranks of those in the lower income brackets.

Mr. JACKMAN: It may be an annuity which will represent all their capital. Are you against a man leaving his widow $1,500 or $1,800 a year? Certainly your party has not been in the past.

Mr. KNOWLES: Not at all; I am simply asking that a distinction be made between those to whom that is their only income and those to whom it is an addition.

Mr. JACKMAN: Twelve dollars distinction.

Resolution agreed to.

6. That a deduction from tax be allowed in the 1946 and subsequent taxation years to a taxpayer who resides or is ordinarily resident in Canada during only a part of the taxation year of a portion of the tax that would otherwise be payable upon his income during the taxation year that bears the same relation to the whole tax as the period in the taxation year during which he is not resident or ordinarily resident in Canada bears to the whole taxation year.

Mr. MacNICOL: I desire to say a word or two on this.

Mr. ABBOTT: I have been making a little explanatory statement in respect to each of these clauses, so that perhaps my hon. friend will allow me to do it here. The situation at the moment is that under the charging provisions of the Income Tax Act as it now stands the tax is imposed on the whole income, no matter where derived, of a person resident in Canada at any time in the tax year. Credit is given against the Canadian tax for income tax paid to another country or income derived from sources outside Canada, and in the normal circumstance the credit is sufficient to offset the Canadian tax imposed on the same income. Representations have been made, however, that in some instances there is no credit for foreign taxes because in some countries no income tax is imposed, or else the credit is quite inadequate because of the very low tax in the foreign country. To overcome this objection to the present law, it is proposed that a person resident in Canada for only a part of the year will continue to be taxable on the whole income, but a credit against the Canadian income tax will be allowed based on the proportion which the number of days in which the taxpayer was not a resident of Canada bears to the total number of days in the year. In other words, in effect, under the proposal which is indicated in this resolution a person resident in Canada for a part of the year will pay a Canadian income tax proportionate to the period of residence in Canada.

Mr. MacNICOL: I have not in mind the particulars of the case with respect to which I now wish to say a word, but a year ago—perhaps the deputy will recall the circumstances—I brought to the attention of the department the case of a gentleman who had been in the United States, working there, who then came back to Canada, and who was bitterly angry over the assessment in this country. Apparently, although he had earned much less in Canada than in the United States, the income tax he paid was very much higher. I have forgotten the exact circumstances of the case, and all I wish to inquire now is as to what the situation is if a man earns $3,000 in the United States and returns to Canada and earns $1,500 or $2,000 in this country. What will be the relation of the tax payable in Canada to the amount earned in Canada?

Mr. ABBOTT: The answer is this. The tax payable in Canada would be a proportion of the tax on his total income which, in the case which my hon. friend mentions is $4,500. The tax would be calculated on the $4,500 as though that amount had all been earned in Canada, after taking into account the appropriate exemptions. After that result had been arrived at there would be a determination as to how many days he had resided in the United States and how many in Canada. Assuming for the sake of argument that he had spent two-thirds of the time in the United States and one-third in Canada as a resident, the tax payable to Canada would be one-third of the income tax on the $4,500, and presumably he would be taxed on the two-thirds in the United States. The tax would first be computed on his total income for the year, but he would be taxed only in respect of the portion which represented the period during which he resided in this country in that year. I think it would cover the case to which my hon. friend has referred. I remember his bringing it up.

Mr. LESAGE: Suppose the tax on the total income of the taxpayer for 1947 is $365 and

this taxpayer spent 200 days in the United States. He can deduct $200, which will leave $165 which he will pay in Canada.

Mr. ABBOTT: That is correct.

Mr. McMASTER: This resolution, I suggest, has implications that none of us thought of in the first instance. First of all, it ignores the law of domicile. Is it applied to wages as well as to investment income? Let me give an example. A man ordinarily resident in Canada may draw a salary. Can he evade some of his ordinary income tax by going and living in some other country for three months of the year, assuming that he had a job which did not require his continued personal attention here? I could understand it if it were investment income, but even there I would seriously consider whether this was a wise resolution to put into force if the man who takes advantage of it were a domiciled Canadian.

Mr. ABBOTT: I think the answer is this. Under our income tax act, as under the British act, the test for income tax liability has always been residence, not domicile. That has been the principle in our act from its commencement. The United States system is slightly different. Some taxes are imposed on the basis of citizenship and, perhaps, in respect of domicile. I do not know. In any event, under the Canadian and the British law, the main test of liability for income tax has always been residence. Taking the specific case which my hon. friend has cited, if I understood him correctly, an American resident or a domiciled American comes to Canada—

Mr. McMASTER: It is the other way around. I am speaking of the domiciled Canadian who has a job here that does not require his personal attention all the year round, and who, for the purpose of evading our somewhat heavy taxation, decides to spend four months of the year in the British West Indies.

Mr. ABBOTT: My hon. friend, as a prominent legal light, knows that residence is a question of fact. It would be a question of fact whether the individual to whom he refers had retained his residence in Canada, though he might spend eight or nine months of the year, in Florida, for his health, or for some other purpose. If his bona fide residence were in Canada he would continue to be taxed here. But this proposed amendment is to meet the hardship involved in the case of a man who bona fide changes his residence during a taxation year, the man who is an executive of a Canadian concern for the first four or five months of the year and then transfers to the American parent company.

[Mr. Lesage.]

I cite that as an example. He changes his residence from Ottawa or Montreal, as the case may be, to some place in the United States. Under the law as it stood, he would have been obliged to file an income tax return in Canada and be taxed on the total income for that calendar year, and would be entitled to claim a credit against that tax for any tax he might pay in the United States with respect to taxes paid to that government. But in some cases that was found to create injustice. One such case was cited by the hon. member for Davenport. This section is, therefore, a relieving measure and is intended to provide an equitable basis for taxation of individuals who bona fide change residence during the course of the taxing year.

Mr. McMASTER: The resolution is wider than the minister has stated.

Mr. ABBOTT: Possibly when we come to the section my hon. friend will see how we provide for it in the legislation itself.

Mr. FLEMING: The outline which the minister has given suggests that the resolution has a good deal of merit, but I think the committee would welcome some further clarification, particularly in reference to the extent of the proposed change. Are we to understand that the section has no application at all to the present provision in the act about sojourning in Canada?

Mr. ABBOTT: It has no application to that. In other words, it is only in the case of bona fide residence that it applies.

Mr. FLEMING: It has no application to the sojourn clause, 9?

Mr. ABBOTT: That is correct.

Mr. FLEMING: Will it have relation to the case where the taxpayer, while normally resident in Canada, draws income from sources outside Canada as well as from sources within the country, and who may take a trip abroad for a short time? Is this proposed amendment confined simply to the case where there is a complete change of residence during the year, without affecting the case of taxpayers who maintain residence and draw income from sources both within and outside Canada?

Mr. ABBOTT: My hon. friend's interpretation is correct. It affects simply cases of bona fide change of residence. The other individuals to whom my hon. friend refers will continue to benefit from the provisions in the act which allow them to take credit for taxes paid abroad with respect to income received from sources abroad.

Mr. FLEMING: There is no change in the law?

Mr. ABBOTT: There is no change in the law there.

Mr. MACDONNELL (Muskoka-Ontario): Has the minister considered whether this conflicts to any extent with article IX of the agreement with the United Kingdom which is attached to bill No. 300? I have it here if the minister would like to look at it. It seems to provide that anyone who is resident in Canada for more than 183 days must pay the full year's taxation. That is the way I read it. Section 3 of the bill says:

> In the event of any inconsistency between the provisions of this act or of the said agreement and the operation of any other law, the provisions of this act and the agreement shall, to the extent of such inconsistency, prevail.

It may be that that is the answer, if there is a conflict.

Mr. ABBOTT: I am advised that this is supplementing the provisions of the agreement to which my hon. friend refers rather than opposing it. I am also informed that the United States have a similar provision in their law.

Resolution agreed to.

> 7. That there be established, with provision for the expenses thereof, an income tax appeal board consisting of a chairman and two assistant chairmen having specified legal qualifications and not less than three nor more than nine other members appointed by the governor in council, as a court of record, to hear, in any part of Canada, appeals from assessments made by the Minister of National Revenue in respect of the 1946 and subsequent taxation years and that an appeal may be taken from a decision of the appeal board to the exchequer court of Canada.

Mr. FLEMING: I made some remarks on this proposed legislation when I spoke in the budget debate, and I shall not go over them again, but I suggest to the minister, as earnestly as I can, that if this resolution is to have any real value it must be amended. As hon. members know, at the present time assessments are coming out three years and sometimes longer after the return on which they are based has been filed. If this proposed income tax appeal board is to begin its work on assessments for the taxation year 1946 and subsequently, it is not going to go to work until about 1950. The need for an income tax appeal board is implicit in the submission of the resolution. In the first place, if that need exists—and surely no one will question that—then I suggest the board ought to go to work at once. I fail to see what objection there can be to giving this board jurisdiction as to assessments which are in the course of being made so long as the returns on which the assessments are made have been filed. Otherwise this board is either not going to come into existence until about 1949 or 1950, or it is going to be set up now under this resolution and have nothing to do until 1950.

In the spring of 1947 we shall be making our returns on 1946 income, which is the first year in respect of which this board is to have any jurisdiction. In another three years or thereabouts the assessments will be made. This means that it will be 1950 before there is a tap of work for the income tax appeal board to do. I take it that the committee is not going to contemplate seriously putting the board into a position like that, which I suggest is almost farcical. I would urge on the minister that the assessment with respect to which this income tax appeal board is to be given jurisdiction ought to relate back for a period so that they can go to work now.

Mr. ABBOTT: I have taken a note of my hon. friend's suggestion, and I shall make some comment on it when we come to the section of the bill which provides for this board. As he will appreciate, as well as anyone else, there is a question as to whether a new board of this kind which is being set up should start off with a large accumulation of back appeals. However, I shall give the whole question some consideration, and will make a statement when we come to the section of the bill.

Mr. MACDONNELL (Muskoka-Ontario): May I add one word to what the hon. member for Eglinton has said, merely to emphasize as strongly as I can what he has said and to remind the minister that the Minister of Finance made a very strong statement last October as to what would be done? May I underline as heavily as I can what the hon. member for Eglinton has said as to what seems to me to be the great unwisdom of not doing anything for three or four years? This is something that the people of Canada are exercised about.

Mr. McMASTER: That reminds me of something that I intended to say. I do not want to urge the government to hire any more employees; rather I would urge them to get rid of some in every department. When they have to fire three in any other department I suggest that they take on a good one in the income tax department to catch up on these arrears. If the arrears are caught up the very objection which we have made will be overcome.

Mr. ABBOTT: I agree.

Mr. McMASTER: I suggest to the minister that if he waits too long he will not recover a lot of this money. I read in the newspaper

that a concern not so very far from the parliament buildings has got into difficulties and that it owes the government a large sum of money. Probably if these returns were checked up a little sooner recovery would be made while these concerns are solvent. It may be that some of them go insolvent purposely to avoid liabilities. I do not suppose they would feel badly if the government were one of the large creditors.

Mr. GRAYDON: I should like to say a word upon a matter which has been brought to the attention of the committee by the hon. member for Eglinton and the two subsequent speakers. What I have to say is not a reflection on the income tax department but simply to get information with respect to the arrears of assessments for the various years. I appreciate the tremendous volume of additional work which came to the department during the strenuous and critical days of the war. I take it that there must be serious arrears because, I suppose, accountants, auditors and those who are qualified to do this sort of work are in short supply. I have no doubt that the income tax department has had a great deal of difficulty in recruiting the necessary type of men and women to handle the greatly expanded work which the department was called upon to perform under the new income tax provisions.

I should like the minister to put on record the exact position with respect to the arrears of assessments for the various years. That is important to the committee's work, and perhaps it might give us a truer picture of what the income tax department is really up against.

Mr. ABBOTT: I shall make every effort to do that, but if it so happens that it should not be available before we finish the resolutions I am sure the Minister of National Revenue will give that information when his estimates are before the committee. The deputy minister assures me that every effort will be made to get that information as quickly as possible. My hon. friend has pointed out, as it has been pointed out before, that the number of income taxpayers has increased from somewhere between a quarter to half a million before the war to well over two million to-day. Therefore the committee will realize that a tremendously heavy administrative job was thrown on the Department of National Revenue at a time when it was extremely difficult to recruit competent personnel even for other activities. Therefore it is perhaps understandable that returns have not been assessed as promptly as it is desirable, but I can assure the committee that every effort is being made to correct that situation as quickly as possible. I agree with the remarks made by the hon. member for High Park that we should endeavour to get as high a class of personnel as possible in that department.

Mr. BOUCHER: Resolution 7 makes provision for the appointment of one chairman, and two assistant chairmen having specific legal qualifications. Further on, it makes provision for not more than nine other members appointed by the governor in council. The need for having an income tax appeal board is important, but I believe the minister should make a statement as to what specified legal qualifications he intends to impose upon the chairman and the vice-chairman, and also whether or not the same qualifications will be imposed on the other nine. I say that particularly because it would be advantageous to see that the people who sit upon a court of appeal on income tax are not the people who make the assessments or from whose rulings the appeals are made.

Mr. ABBOTT: I agree with that.

Mr. BOUCHER: Will the minister give an explanation.

Mr. ABBOTT: I agree completely with the last part of my hon. friend's remarks. As the resolution indicates, this appeal board is intended to be in effect a tax appeal court. It was felt that the chairmen should be men with legal training because important questions of law will be involved in the interpretation of the Income War Tax Act.

As to the legal qualifications required, I should prefer to deal with those when we bring in the bill, which of course will be very shortly. As the committee knows, the legal qualifications for judges of a high court are that they should have been practising for not less than ten years at the bar of the province in which they are appointed, and I think some similar limitation will be required for these three gentlemen. I do not know whether the hon. gentlemen raised any other points—

Mr. BOUCHER: What about the other six?

Mr. ABBOTT: I might just give my personal view for the moment, that the others would be accountants or perhaps outstanding businessmen. In any event they would not be officials of the Department of National Revenue. The point is that they would be laymen; they would not of necessity have to be members of the legal profession. They might be accountants or men with business experience, or something of that kind.

Mr. FAIR: Perhaps it would be a good thing if on that advisory board we had men who did not belong to the legal profession. Prob-

ably the common man, the working man would have a better show if he had some of his own people on that board.

Mr. ABBOTT: I am all for the working man, too, and we shall do the best we can with this board.

Mr. FAIR: I was going to suggest that each occupational group be represented on the board.

Mr. ABBOTT: I do not know that I could agree that every group in the country should necessarily be represented on this income tax appeal board. It is in the nature of a court, and I think the committee may rest assured that we shall endeavour to set up as competent appeal boards as we possibly can. The chairmen will be men with legal qualifications, but aside from that we shall try to get the best men we can for the job that has to be done.

Mr. FLEMING: I should just like to say that if the minister can get men for this appeal board of the type who functioned on the board of referees under the Excess Profits Tax Act he will have gone a long way to set up a satisfactory and competent board.

Mr. ABBOTT: I agree with my hon. friend on that.

Mr. JACKMAN: May I ask why the court which is to be set up under resolution 7, or the board, will not have power to review assessments where the minister's discretion is concerned? As we all know, the minister has discretion in perhaps 150 or 250 cases under the present Income War Tax Act and Excess Profits Tax Act, and that is one of the reasons why there is so much confusion in determining just what is the law of the land. The resolution does not say so, but the minister's remarks in the house clearly implied and the following resolution clearly indicates that this board which is to be set up is not to have power to review matters of discretion. What we have always complained about in this case, as I recall the words of Hon. Mr. Hanson, is that when you appeal from the ruling of the income tax departmen you appeal from Caesar unto Caesar; it goes back along the same channel and the minister simply acts on the advice he receives. As I understand it, the decision of a trial judge may always be appealed on questions of discretion, as to whether or not he has exercised a reasonable amount of discretion or whether he has exceeded his jurisdiction, and I see no reason why we should place a deputy minister in a category higher than that of trial judges throughout the country.

Mr. ABBOTT: We do not, but I shall deal with that in a moment.

Mr. JACKMAN: That will be splendid, because we are interested in ascertaining why matters of discretion cannot be reviewed by the board which is to be set up under resolution 7.

While I am on my feet I should like to say that if the provision still exists and is to be continued under which an appellant must put up a bond of $400 in order to have his case reviewed, I believe the amount should be substantially reduced or done away with entirely.

Mr. ABBOTT: On the matter of discretions, of course that is something on which a good deal has been said in this committee. I must confess that if hon. members look far enough back in *Hansard* they will see that I had something to say about it myself four or five years ago. The general rule of law, as members of the bar know, is that where a discretion is given to a person under a statute and that discretion is exercised bona fide by the official or deputy minister or whoever it may be who is called upon to exercise it, the courts will not interfere with such exercise. The very words themselves, "the exercise of a discretion" imply that the individual to whom the discretion is given exercises that discretion; and the courts do not review it. The same thing applies in municipal law, for instance, where a city council is granted discretion to issue or refuse a permit for certain purposes. The courts will not issue a writ of mandamus to compel them to do so and will not review the exercise of that discretion unless it is shown that it has been influenced by improper motives. There has been a good deal of criticism of the discretionary powers given under the income war tax act to the minister.

Mr. JACKMAN: It is riddled with them.

Mr. ABBOTT: The hon. gentleman says it is riddled with them. The fact remains that in any income tax act I have ever seen it has been necessary in the interests of reasonable and proper administration to give certain discretions to the responsible minister.

I prefaced what I had to say by stating that there had been criticism of the wide discretionary powers which were given. It was felt that you could not give to an appeal court the right to substitute its discretion for the discretion of the minister on whom that power is conferred under the act; but it was desired to avoid as far as possible the feeling that those discretionary powers were exercised

arbitrarily and that the taxpayer had no recourse against what he might believe to be an arbitrary exercise of that discretion. Perhaps I might repeat to the committee what the Minister of Finance said in his budget speech, at page 2923 of *Hansard* on the question of this proposed advisory board:

There is some complaint about the existing provisions of the law in so far as these discretions are concerned. After careful consideration, the government has concluded that an advisory board, separate altogether from the appeal board to which I have referred, should be set up to advise the Minister of National Revenue upon the exercise of certain of his discretionary powers. The house will recall that under the Excess Profits Tax Act a board of referees was set up to advise the minister with regard to standard profits.

The minister was given a discretion with respect to that.

The government's proposal is to establish an income tax advisory board, consisting of a chairman and not less than two and not more than six other members, to which a taxpayer may require the Minister of National Revenue to refer for hearing, consideration and advice, decisions made by the minister in the exercise of specified discretionary powers. I may add that instructions are being given to the interdepartmental drafting committee to explore carefully the possibility of reducing the number of discretions now vested in the minister or at least of providing for their exercise under regulations approved by the governor in council.

If I may say so, I think the setting up of this advisory board is a forward step. Let us see how it operates and how it functions before we condemn it; that is the suggestion I make. My main point is that you cannot and should not set up an appeal court which would exercise powers of discretion vested in a minister of the crown.

Mr. FLEMING: I understood that matter was to be discussed under resolution 8. What is your ruling on that, Mr. Chairman? I have some observations I should like to make in connection with the advisory board.

Mr. ABBOTT: I apologize if I have jumped the gun. Perhaps it might be convenient if hon. members were to take these two sections together; they are closely related and hon. members may want to comment on both at the same time.

Mr. FLEMING: I should like to offer this observation, that while I think the income tax appeal board suggested in resolution 7 is a great step forward, its success will be to a large extent vitiated if the powers assigned to it over assessments are too much confined. The effect of resolution 8 is to narrow greatly the scope of the jurisdiction assigned to the appeal board under resolution 7.

[Mr. Abbott.]

May I remind the committee that the committee which sat in another place and investigated at great length the working and the provisions of the Income War Tax Act made one recommendation with respect to appeals, namely that the appeal board to be set up should have the power of review of the exercise of discretionary powers, as well.

That is not the line taken by the government in these resolutions. The income tax appeal board proposed in resolution 7 will have no power whatsoever to review the exercise by the minister of any of his numerous discretionary powers under the Income War Tax Act and the Excess Profits Tax Act.

Mr. ABBOTT: It will have, as my hon. friend realizes, the same power that the exchequer court has to-day.

The ACTING CHAIRMAN (Mr. Golding): Resolution 8 has not yet been called.

Mr. ABBOTT: We are dealing with them together.

The ACTING CHAIRMAN (Mr. Golding): It has not yet been called; but if it is satisfactory to the committee to deal with both resolutions at the one time, I shall call it now.

8. That there be established, with provision for the expenses thereof, an income tax advisory board consisting of a chairman and not less than two nor more than six other members appointed by the governor in council to which a taxpayer may require the Minister of National Revenue to refer for hearing, consideration and advice a decision to which the taxpayer objects made by the minister in the exercise of specified discretionary powers in respect of an assessment for the 1946 and subsequent taxation years.

Mr. FLEMING: Thank you, Mr. Chairman. The committee to which I have referred which sat in another place was a competent committee, and pointed out that under the Income War Tax Act there are eighty-eight discretionary powers conferred on the minister, and under the Excess Profits Tax Act no less than twenty-four.

It is obvious that when the Minister of National Revenue on the one hand and the taxpayer on the other are pitted against each other in a dispute under which any of these discretionary powers can be exercised, the taxpayer just has not a chance. He does not enter the contest on an equal footing. For him it is a hopeless contest.

The government in drafting its budget resolutions ought to have given effect to the recommendation put forward by the committee in the other place. The same objections now taken on behalf of the government to that recommendation were before the committee in the other place. They called the

officials, heard their objections and reported that, notwithstanding those objections, they still felt there should be power of review of the exercise of discretionary powers, and that the appeal board should not be deprived of the power to review such exercise of power.

At page 382 of the report the committee says:

> Your committee has given consideration to these submissions of the deputy minister and has concluded that they represent a direct conflict of opinion with the suggestion advanced by other witnesses in briefs and examinations, with which suggestions your committee agrees in principle as will be hereafter shown.

It must be clear to this committee that there are some serious defects in the scope of resolution 8 in relation to the law as it will continue to exist if the resolution is confined to its present scope.

In the first place, there is no real power given to the income tax advisory board. As its name implies, and as the resolution clearly demonstrates, it is advisory only. There is no obligation whatsoever upon the minister to accept the advice of this advisory board. The minister refers, as did the Minister of Finance on June 27, to the fact that boards of review which operated under sections 4 and 5 of the Excess Profits Tax Act did not have final power, but had power only to advise the minister. We have not had any statistics from the minister as to those cases, if any, in which the minister chose to reject the advice given him by those boards of review.

My experience with those boards of review was that they were most competent. They had on them some distinguished members. In one instance there was a chief justice acting as chairman, and there were economists and accountants making up the remainder of the board. They gave a good hearing. It was not one confined to too technical procedure. Business people appeared before it, as well as persons represented by counsel. I believe there was no fault whatsoever to find with the procedure.

But unless the minister is prepared to say that the minister took advantage of his power to reject the advice tendered to him by those boards of review, then I say the minister might as well tell us now that such boards ought to be given power, not simply to advise, but to overrule or to vary assessments.

There is the position. Unless these boards are going to make mistakes; unless they are going to go astray, if they are boards which will be composed of competent men, then I suggest that there is no reason why their functions should be confined to the tendering of advice to the minister.

The second qualification as to the scope of resolution 8 is, as I said earlier, that there is still no appeal from the exercise of discretionary powers. But those two qualifications are not the only ones which are objectionable. The third is this, that there is still no attempt being made this year to whittle down or to reduce the number of discretionary powers. That is a serious situation.

I do not need to repeat what I said earlier about the unfairness of a situation in which a taxpayer entering a contest against the Minister of National Revenue is beaten before he starts, so long as the minister can invoke one of these discretionary powers. He is just licked before he starts, if the minister is permitted to invoke one of these eighty-eight discretionary powers given him under the Income War Tax Act. I do not think any government can justify placing itself in a position of such vast superiority over those individual citizens who are called upon to pay taxes and who think they have been unjustly assessed.

That is a situation which, I submit, is so acute that it should not have to wait for another year for remedial action on the part of the government or parliament. It is just as important as those matters with respect to which the government, under resolutions 7 and 8, is proposing to take action—in resolution 7 a good step, and in resolution 8 a most inadequate one.

I urge upon the minister that it is not too late for the government to reconsider resolution 8 and, combining it with resolution 7, to give to the income tax advisory board power to review the exercise of discretionary powers by the Minister of National Revenue; to make it more in that respect than simply an advisory power; to give it real powers.

In the third place, the government should get down to business with respect to this problem of discretionary powers, because it is a problem which is so urgent that it cannot be left deferred. That is my appeal to the acting minister.

Mr. ABBOTT: On the first point raised by the hon. member, I have already answered by saying that to create this appeal court with powers to review the discretion of the minister would be a negation of the doctrine of ministerial responsibility. It was for that same reason that the special board on war contracts depreciation and that on excess profits were made advisory boards.

In the same way this question was given most careful consideration by the government, and it was decided that it could not

depart from the principle of ministerial responsibility, where discretionary power is given under the act. This board, therefore, as were other boards, must be an advisory board. As I said earlier, the exchequer court of Canada or any other court cannot and would not to-day review the exercise of discretion conferred upon a minister of the crown under a federal statute.

Mr. FLEMING: That is why I said something must be done to confine these discretionary powers.

Mr. ABBOTT: On the other point, I pointed out what the Minister of Finance said in his budget speech, that every effort would be made by the committee which, I understand, is proceeding with the revision of the Income War Tax Act, to reduce the number of discretionary powers. The committee must realize that with a complex income tax structure such as we have, efficient administration requires that a considerable measure of discretion be given to the executive branch of government.

Mr. MACDONNELL (Muskoka-Ontario): I am not going to continue to argue the legal point about the minister's discretion, in connection with which I have no doubt he is correct, but I want to ask him one practical question. It seems to me that resolution 8 does not produce very much. As I understand it, the minister exercises discretion and then, if objection is made, the board comes in.

Mr. ABBOTT: That is correct.

Mr. MACDONNELL (Muskoka-Ontario): They are going to advise whether he was wrong?

Mr. ABBOTT: That is right.

Mr. MACDONNELL (Muskoka-Ontario): I do not think that is going to produce anything. After all, no minister is likely to admit that he was wrong.

Mr. MACKENZIE: Oh, yes, we do.

Mr. MACDONNELL (Muskoka-Ontario): Not in this lower world. It seems to me that this is locking the door after the horse is stolen. I really do not think anything is going to happen under resolution 8. I have never been a minister, and I have no doubt that when one does become a minister he puts aside many of his lower qualities. I take it that when the minister has exercised his discretion it will take some drastic action to make him change. I am putting this forward seriously and not in an effort to make difficulty. I think we all want to bring about something practicable. I maintain that this board will be coming in too late, after the minister has exercised discretion. It would seem to me to be much more sensible if the board were to come in at an earlier stage. I do not take such a favourable view of this board as does the hon. member for Eglinton. The minister said in his speech, as reported on page 2923 of *Hansard*:

> The proposed board will decide questions of fact and law in the same manner as any other court.

Mr. ABBOTT: That is the appeal board.

Mr. MACDONNELL (Muskoka-Ontario): I am talking about the appeal board.

> It will not, however, have the power to exercise or review the discretions vested in the Minister of National Revenue by the Income War Tax Act.

There again, if the minister has exercised discretion, unless he has been palpably wrong, will the findings of the board have any effect upon discretion that he has already exercised? Is he going to go back and say that he was all wrong?

Mr. ABBOTT: The powers of this board with respect to the discretionary powers exercised by the minister will be exactly the same as those exercised to-day by the exchequer court of Canada, or any other court for that matter. If it happened to be a federal matter it would come to the exchequer court, but in the province of Quebec, where discretion is given to local authorities by a number of statutes, the power would be exercised by the superior court with appeal to the court of appeal. The point which I made earlier, and which I think my hon. friend appreciated, was that the court does not review the discretion exercised by the person to whom it is entrusted. It deals with the question of whether the discretion was properly exercised. This board will have that power and there will be further appeal to the exchequer court.

Mr. MACDONNELL (Muskoka-Ontario): As I said a moment ago, it seems to me that this is all too late; it is locking the door after the horse is stolen; it is acting after the discretion has been exercised.

Mr. BOUCHER: If a taxpayer asks the minister to submit his problem to this income tax advisory board, will the decision of the board, whether it be in approval or disapproval of the minister's discretion, be a matter of record so that it may be taken as a precedent for other cases? Will it be a matter of public information, or will it be considered as merely departmental advice and not for public use?

Mr. ABBOTT: I must confess that I have not given my hon. friend's question any consideration, but offhand I would think the report should be available as a precedent. I should like to give the matter some consideration and perhaps deal a little more fully with it when we come to the section of the bill providing for the creation of this board.

Mr. BOUCHER: The tax appeal board is to be a court of record and all the decisions given will be available and useful for the future, but here is a board dealing with the discretion of the minister. A taxpayer may complain and ask the minister to place his case before the advisory board. He may then not be able to find out the reaction of that advisory board unless its decisions are made a matter of public record.

Mr. ABBOTT: One of the questions that would have to be considered is the matter of secrecy. At the present time, when a case is taken to the exchequer court a taxpayer may ask that the general proceedings be not made public. Of course the judgment has to be.

Mr. McMASTER: I had in mind the very thing the hon. member for Carleton has spoken about. I am afraid we are making too much of this matter of secrecy. It is quite all right not to publish to the world a person's private business, but where a matter is of such importance that it has to go before the minister or before a court it becomes a matter of public concern. The law is quite clear. The minister is really the judge in the first instance. He exercises discretion and that discretion becomes law. That law can be changed only by this parliament. As the hon. member for Carleton says, it is important that everyone knows what that discretion is so that he may be governed accordingly. Take the discretion in connection with double depreciation as an example. You will have to consider whether or not that should be made public so that people will know how to act. It is important to everyone to know how the government of Canada, through the minister, is exercising this discretion.

Mr. ABBOTT: That can be done so long as it is not revealing the private business of the taxpayer.

Mr. KNOWLES: That is the provision of section 81 of the Income War Tax Act, which is already part of the legislation and provides for secrecy with regard to income tax matters. The government seems to consider that provision as being sacrosanct, instead of realizing that here is a case where the validity of the section is being challenged.

Mr. ABBOTT: It does not challenge it at all.

Mr. KNOWLES: I have never accepted the validity of the section. As a matter of fact, several times I have moved an amendment to have it changed. It seems to me that the suggestion of the hon. member for High Park is a valid one. When a matter is contested the public show know the facts of the case.

Mr. ABBOTT: The public is entitled to know the principle which is decided by this appeal board the same as it is entitled to know the principle which is decided by the exchequer court, but all the facts which may concern the private business of the taxpayer have no general interest. I think it is perfectly proper that the secrecy rule should be observed. The public is entitled to know the finding on the question of principle, the disposition of the appeal, whether the taxpayer is held liable or not and the reason why, but I do not think the public should be entitled to pry into private affairs.

Mr. KNOWLES: Two or three years ago the Steel Company of Canada was involved in a labour dispute. I am not referring to the one now being considered by the standing committee on industrial relations. During the course of the dispute large advertisements appeared in newspapers across Canada over the name of the company, attacking the position of the union. Members of the union were anxious to know whether or not the cost of that advertising, which I submit was anti-union, was allowed as a deduction. I made an effort to secure the information, but was told that because of section 81 of this act it could not be given. I submit there are cases like that where merely to be told the principle is not good enough; the public is entitled to know what interpretation is being made of that principle. I suggest that this whole question of secrecy should now be reviewed.

Mr. BLACKMORE: I wonder whether the minister could tell us the attitude on this point. What steps are contemplated to enable the ordinary taxpayer to know of the existence of this advisory board? Is any provision made whereby the ordinary taxpayer can obtain skilful assistance in presenting his case to the board? I think every hon. member has had a number of these matters brought to his attention, and he himself has become more or less the advocate of his constituents before the Department of Finance. I am wondering if there is any provision, other than

by a member of parliament, whereby a taxpayer can have his case presented and know just what to do?

Mr. ABBOTT: I think the measure when adopted, as I anticipate it will be, will be given wide publicity through the press. As to what steps can be taken to assist taxpayers in preparing appeals, I am afraid I am not in a position to make any statement at the moment. Possibly that can be considered a little later on.

Mr. BLACKMORE: The trouble is that the ordinary taxpayer, like the ordinary farmer, is utterly bewildered by the complexity of this whole income tax situation, and he does not know where to go to get scientific advice or assistance to present his case. The result is that he is just haunted and driven. I wonder if it is not time that we had some means of giving a little assistance to the ordinary taxpayer.

Mr. ABBOTT: I suppose it would be indelicate for me to suggest that he should go and see a good lawyer.

Mr. BLACKMORE: The trouble with respect to going and seeing a lawyer is that there is expense involved, and the ordinary taxpayer has enough expense without going to see a lawyer.

An hon. MEMBER: The lawyers have to live too.

Mr. FLEMING: Would the minister give the committee, not necessarily to-day but perhaps to-morrow when the bill comes up, a report on the number of cases that were heard by the board of referees under section 5 of the Excess Profits Tax Act, the disposition by the minister, and the advice given to him by that board in these cases? I think it would be interesting to the committee to know in how many cases the advice was accepted, in how many it was rejected, and in how many it was varied.

Mr. JACKMAN: And how many cases are yet pending.

Mr. ABBOTT: I think these figures could be obtained, and, as I said in reply to a similar question before, if they are not available when we are considering the resolutions they may be available when the Minister of National Revenue presents his estimates.

Mr. JACKMAN: When an appeal is taken to the exchequer court, are not all the facts published in the reports of the court?

Mr. ABBOTT: No. It is open to the taxpayer to ask that the proceedings be held in camera.

Mr. JACKMAN: I may say it is not very often that I find myself in agreement with the hon. member for Winnipeg North Centre; but it seems to me that secrecy is a bit overstretched in these cases, and in the public interest I think we must, to some extent at least, if not entirely, waive the delights of secrecy in order that we may build up a body of case law, of precedents, so that taxpayers throughout the country will know where they stand, and what the decision was in any case, so that they may judge their own case accordingly.

Mr. ABBOTT: That information can be revealed in the judgment and findings of the court without indicating names or particulars which would identify the particular parties involved. As my hon. friend probably knows, that practice is followed in the United Kingdom, I think in the United States, and probably by our own courts here.

Mr. JACKMAN: I am not a "good lawyer"; I do not know.

Mr. ABBOTT: In other words, the necessary facts can be indicated in the finding of the courts to enable a proper appreciation of the judgment, without indicating the identity of the persons involved. My own feeling is that that is a proper and necessary protection. Quite a number of people might be reluctant to take an income tax appeal on a perfectly proper matter if the whole of their private affairs had to be laid before the general public; and I can see no useful purpose which would be served in doing that. I think all that is necessary is that the court should render its judgment in such form as to make clearly evident the principles on which it has proceeded in arriving at that decision; and, granted that that is done, I think that is all the public interest requires.

Mr. JACKMAN: After listening to the explanation of the minister, which seems very satisfactory, I shall never again be tempted to agree with the hon. member for Winnipeg North Centre.

Mr. ABBOTT: It is a bad habit.

Mr. KNOWLES: That proves I was right.

Mr. MACKENZIE: It proves you were both wrong.

Mr. ADAMSON: Is not the principle of secrecy one of the main planks of the income tax law? It is required that your return shall be kept secret. The minister made a facetious remark which I think had a certain amount of merit in it; he said, why not get a good lawyer to make out your income tax? Well, I, like many members of this house, have had the

pleasure of meeting civil servants employed in the income tax department, and there I had a real complaint brought to my attention, as no doubt it has been to several other members of the house, as to the amount of extra and difficult work they have to do with regard to making out the extremely complicated present income tax reforms, despite all the efforts at simplification. These people are greatly overworked, and I suggest that some consideration be given to a deduction from the income tax to enable taxpayers to employ, I will not say a "good lawyer", but counsel to make out their income tax return. It would greatly simplify the work of the Department of National Revenue.

Mr. ABBOTT: Speaking as a lawyer I find my hon. friend's suggestion interesting. I do not know that it would be practicable.

Mr. BOUCHER: I think I must be drawn into this fray. Many people come to me and ask me to help them make out their income tax returns because, I believe, lawyers as a rule do not want to take the time and trouble of making these out.

Mr. McCANN: The form is so simple now that anybody can make it out.

The CHAIRMAN: Carried.

Mr. ABBOTT: Do I understand that resolutions 7 and 8 are carried?

The CHAIRMAN: They are carried.

Resolutions 7 and 8 agreed to.

Progress reported.

PRIVILEGE

VETERANS AFFAIRS COMMITTEE—REFERENCE TO ARTICLE IN OTTAWA "JOURNAL".

Mr. W. A. TUCKER (Rosthern): Just before we adjourn, I have been instructed by the special committee on veterans affairs to raise a question of privilege. The Ottawa *Journal* in its leading editorial of July 24 has this to say:

Job Preference for Veterans

Against the considered advice of Mr. Charles H. Bland, chairman of the civil service commission, and Mr. Walter S. Woods, Deputy Minister of Veterans Affairs, a majority of members of the veterans affairs committee of the commons favour extension of the veterans preference for government jobs to men whose service has been confined to Canada during the war years. Since before the end of world war I this preference has applied only to men and women with overseas service.

I suppose that is based on a report in the same paper of Monday July 22, which has a subheading:

Would include Crown Companies, Government Agencies.
C.S. Chairman and Deputy Minister Oppose Move.

The move to extend the preference to crown companies and government agencies was not opposed by the chairman of the civil service commission and the deputy minister, and it was actually embodied in a resolution reported to this house in *Votes and Proceedings* of Tuesday, July 23. Our committee recommended as follows:

that the present civil service preference for disabled veterans and veterans who served overseas be extended to cover all employment both temporary and permanent, by dominion government agencies, inclusive of crown companies.

That was not opposed by the deputy minister or by the committee. The report says, however:

The committee while delaying its decision to the final report, favoured such action.

That is, widening the preference to include all home service personnel who joined the armed forces on a voluntary basis. The report states that our committee favoured that action.

The point I wish to make is that the only decision which we arrived at was reported to the house. We made no decision to extend the preference to those whose service had been confined to Canada during the war. No decision in that regard was made by the committee. That matter is still under consideration, and it is felt that this correction should be made for fear it might be thought that the committee has already come to a decision on the question. The committee felt that the newspaper reports have so far been accurate and satisfactory, and it is quite distasteful to us to draw attention to this apparent misunderstanding.

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

Thursday, July 25, 1946

The house met at 11 o'clock.

BUSINESS OF THE HOUSE

QUESTIONS DROPPED FROM THE ORDER PAPER—DECISION OF MR. SPEAKER

Mr. SPEAKER: In view of the discussion that has taken place, I thought it would be helpful to the members of the house to give a decision, subject to appeal, with regard to the placing of questions on the order paper.

As hon. members of the house know, it is the Clerk's duty to scrutinize the questions submitted by members for the order paper of the

house in order that, if these offend the rules, proper action may be taken in order to conform therewith. Bourinot, fourth edition, page 313, states:

> It is the duty of the Clerk to point out any irregularities to the Speaker, as in the case of notices of motion, and if the latter is of the same opinion he will order the Clerk to communicate with the member so that he may have an opportunity of amending his notice.

I am informed that for the past few years a practice has developed whereby the Clerk communicates with the member before seeing the Speaker. It is only where the Clerk has serious doubts as to the proper course to follow that he consults the Speaker.

Mr. Fraser, member of parliament for Peterborough West, sent to the Clerk a number of questions inquiring as to the number of motorcycles declared surplus—I emphasize those words, "declared surplus"—by the army and air departments, and asking how many of those vehicles had been disposed of through War Assets Corporation.

Doctor Beauchesne, the Clerk of the House, pointed out to the hon. member that the information sought dealt with matters referred to the special committee on war expenditures and economies, which was appointed on March 22 to examine the expenditures defrayed out of moneys provided by parliament for national defence and demobilization and for other services directly connected with the war, including—and again I emphasize those words —the disposal of surplus war assets. He returned them to Mr. Fraser, and on the next day I made a statement in the house to the effect that the committee was the proper authority from which the information ought to be obtained. Immediately after I had made that statement Mr. Fraser sent the questions again to the Clerk, who understood this as meaning that they should be sent to the war expenditures and economies committee, and he forwarded them to the chairman of that committee.

The said questions were not submitted to me and I did not give any direction as to their admissibility on the order paper, but in looking into the matter I find that the action taken by the Clerk was justified by the following citation from May's fourteenth edition, recently published, and edited by Sir Gilbert Campion, the present Clerk of the United Kingdom House of Commons. At page 337 Campion gives the following as a type of question which may be enumerated as being out of order:

> Dealing with matters referred to a royal commission or with matters before a parliamentary committee.

[Mr. Speaker.]

There can be no doubt that Mr. Fraser's questions dealing with war assets referred to matters which had been specifically and distinctly referred to the select committee on war expenditures and economies. The recognized authorities all agree that where a specific matter has been referred to a committee of the house, questions relating thereto were inadmissible, and we properly look to the authorities in Canada and in Great Britain to guide us in the practices and usages that have grown up in the parliamentary system in Canada.

The Speaker has a clear duty to interpret, as best he can, the rules in force and to apply them sensibly to different matters that call for a decision on his part. I can assure hon. members that I have no desire but to carry out this duty fairly and impartially. In case of doubt I shall always decide in favour of free speech and a broad interpretation of the rules which are recognized as a great protection to the members of the house in their assertion of their parliamentary rights and privileges, and particularly to His Majesty's loyal opposition and other parties in minority in the house. I know that members will desire me to uphold that spirit of harmony between the Speaker and all members so much needed in the conduct of the business of the house.

The admissibility of questions on the order paper is complicated during this session by the fact that matters dealing with the affairs of several departments have been referred to select and standing committees by an order of the house, and if the rule is applied too rigidly members might be deprived of their right to inquire into every phase of the public service. There was no doubt as to Mr. Fraser's questions not being admissible, but I would not shut the door to inquiries about the Department of Reconstruction on the ground that the war expenditures and economies committee is functioning, or about any other department because another select committee is functioning. As long as the matter has not been specifically referred I am of the opinion that it may be made the subject of a question to be placed on the order paper. There are certain questions that may be described as borderline cases, that is to say, which concern matters referred in general to a committee of the house, but which do not include themselves in the actual work of the committees. In such cases I have no hesitation in allowing these questions to be placed on the order paper.

Mr. Castleden's question appeared on the order paper on Wednesday, the 10th, was

taken off on Friday the 19th, and restored on Tuesday, the 23rd, without my knowledge. This action was taken by the Clerk of the House because the question was of the same nature as Mr. Fraser's. On second thought, however, the Clerk realized that there was a serious doubt as to whether or not anything can be taken off the order paper without the consent of the house, and he immediately instructed Mr. Sherwood to restore the question in its proper place. He based his action for this on the ground that all orders appearing on the order paper have been placed there by a standing order, which means by command of the house. Standing order 44 authorizes the placing of questions on the order paper seeking information from ministers relating to public affairs, and standing order 45 lays down that forty-eight hours' notice must be given for placing an order on the order paper. The effect of these two standing orders is that a question is the possession of the house from the moment it appears on the order paper, and even the sponsor should not have the right to withdraw it without the consent of the house. When Mr. Castleden's question was called from the chair in the house on Thursday the 11th, and allowed to stand, no decision was given by a vote but the question was disposed of in a manner which cannot be overlooked and is binding on the officers of the house. With this, I am in perfect agreement.

In conclusion, I think it is, generally speaking, a wise rule that provides that while a committee is inquiring into a matter the house will not encroach on its jurisdiction by allowing the same matter to be discussed in the house, but members must not be debarred from seeking information by placing on the order paper questions which are not debatable and do not give rise to discussion. As long as these questions do not deal with the very specific matter referred to, they should be permitted to appear on the order paper.

Hon. members will remember that I started this memorandum by saying:

> In view of the discussion that has taken place, I thought it would be helpful to members of the house to give a decision, subject to appeal, with regard to the placing of questions on the order paper.

What I read to hon. members is based on standing order 12, which reads as follows:

> Mr. Speaker shall preserve order and decorum, and shall decide questions of order, subject to an appeal to the house without debate.

Mr. GRAYDON: Mr. Speaker, in view of the fact that you have been good enough to suggest that this matter should be subject to appeal and decision by the house, may I be permitted to say a word in connection with your ruling?

Mr. SPEAKER: I am sorry, but the hon. gentleman knows perfectly well that I cannot permit a debate on the ruling, according to standing order 12 which I just read to the house.

Mr. GRAYDON: If that is so, and we are to be prevented under this ruling, as I understand it, from putting questions on the order paper relating to the War Assets Corporation, then I respectfully suggest that we should appeal your ruling now.

Mr. SPEAKER: Those in favour of the Speaker's decision—

Mr. COLDWELL: Mr. Speaker, if I may say a word—

Some hon. MEMBERS: No.

Mr. COLDWELL: I was just going to say that—

Mr. GRAYDON: I want a word—

Mr. COLDWELL: Would Your Honour make the decision clear? I did not understand your decision as the hon. member for Peel (Mr. Graydon) seems to interpret it. My understanding is that questions will be permitted on the order paper when the subject matter of these questions is not referred specifically to a committee, which makes all the difference in the world.

Mr. MACKENZIE: That is right.

Mr. COLDWELL: I think that is a ruling which the house should substantiate, because I think it is a correct one.

Mr. SPEAKER: The hon. gentleman is perfectly right, and for the information of the house I shall read the conclusion of my remarks:

> In conclusion, I think it is, generally speaking, a wise rule that provides that while a committee is inquiring into a matter the house will not encroach on its jurisdiction by allowing the same matter to be discussed in the house, but members must not be debarred from seeking information by placing on the order paper questions which are not debatable and do not give rise to discussions. As long as these questions do not deal with the very specific matter referred to, they should be permitted to appear on the order paper.

Mr. GRAYDON: Mr. Speaker, may I just ask for clarification of that point?—because I think it is important when there is an appeal to be made. Questions which refer to the War Assets Corporation apparently cannot be asked in the house?

Mr. SPEAKER: Order. I think that what I have read to hon. members is quite clear. I do not think it is proper to have questions put to the Speaker from the floor of the house.

Mr. GRAYDON: Then I desire to ask for an appeal.

Mr. SPEAKER: Do I understand that the hon. gentleman is now appealing the decision?

Mr. GRAYDON: Yes.

Mr. MACKENZIE: May I suggest to the house that this matter stand in abeyance until to-morrow and until hon. members have had the opportunity of reading the carefully prepared statement of Mr. Speaker? —and then they may possibly record their judgment accordingly. Would that be satisfactory?

Mr. GRAYDON: On one condition—that we have an opportunity of at least saying a word in connection with this ruling. It is not fair that we should be barred entirely from any discussion in connection with it.

Mr. FRASER: As I am the one affected, may I ask a question?

Mr. SPEAKER: Order. I will not permit a debate, and I will not permit to happen again what happened these last days. I put the question, does the hon. member wish to appeal the decision?

Mr. GRAYDON: The hon. member desires to appeal from the decision.

The house divided on the question: Shall the Speaker's decision be sustained? And the decision of the Chair was sustained on the following division:

YEAS

Messrs:

Archibald
Argue
Baker
Beaudoin
Beaudry
Belzile
Bentley
Bertrand (Laurier)
Bertrand (Prescott)
Blanchette
Boivin
Bonnier
Bourget
Bowerman
Bradette
Bridges
Bryce
Campbell
Chevrier
Cleaver
Cloutier
Coldwell
Coté (Verdun)
Croll
Cruickshank
Dechene
Dion (Lake St. John-Roberval)
Dionne (Beauce)
Douglas
Dubois
Emmerson
Eudes
Farquhar
Fournier (Hull)
Gauthier (Nipissing)
Gauthier (Portneuf)
Gibson (Hamilton West)
Gillis
Gingues
Gladstone
Glen
Golding
Gour (Russell)
Gourd (Chapleau)
Harris (Grey-Bruce)
Healy
Herridge
Howe
Irvine
Jaenicke
Jutras
Kirk
Knight
Knowles
Lafontaine
Lalonde
Langlois
Laurendeau
Leger
Little
McCann
McCuaig
McCulloch (Pictou)
McCullough (Assiniboia)
Macdonald (Halifax)
McGarry
McIlraith
MacInnis
McIvor
McKay
MacKinnon
MacLean
MacNaught
Maloney
Marier
Marquis
Martin
Matthews (Brandon)
Matthews (Kootenay East)
Maybank
Mayhew
Mitchell
Moore
Mullins
Mutch
Nixon
Pouliot
Probe
Raymond (Wright)
Reid
Richard (Gloucester)
Richard (Ottawa East)
Rinfret
Robinson (Simcoe East)
St. Laurent
Sinclair (Ontario)
Sinclair (Vancouver North)
Sinnott
Smith (York North)
Stewart (Winnipeg North)
Stuart (Charlotte)
Thatcher
Townley-Smith
Tremblay
Tucker
Viau
Warren
Weir
Whitman
Winkler
Zaplitny—111.

NAYS

Messrs:

Adamson
Ashby
Aylesworth
Barrett
Black (Cumberland)
Blackmore
Blair
Boucher
Bradshaw
Brooks
Casselman
Charlton
Church
Coyle
Diefenbaker
Drope
Fair
Fleming
Fraser
Gagnon
Gibson (Comox-Alberni)
Green
Hamel
Hansell
Harkness
Hazen
Hodgson
Johnston
Kidd
Lennard
Lockhart
Low
Macdonnell (Muskoka-Ontario)
McGregor
Mackenzie
McLure
MacNicol
Marshall
Menary
Merritt
Murphy
Pearkes
Power
Quelch
Raymond (Beauharnois-Laprairie)
Ross (St. Paul's)
Senn
Shaw
Skey
Smith (Calgary West)
Stephenson
Stirling
Webb
White (Hastings-Peterborough)
Wylie—55.

And the Clerk proceeding to announce the result of the vote:

Mr. ABBOTT: Mr. Speaker, on a question of privilege, may I say that I did not notice that the hon. member for Stanstead (Mr.

Hackett) was not in his seat. I am paired with the hon. member, and I voted inadvertently.

Mr. POWER: I object, as a matter of privilege, to the Clerk of the House saying in a loud and raucous voice, as if he were giving instructions, that there are no pairs.

PAIRS

(The list of pairs is furnished by the chief whips.)

Messrs:

Isnor	Stanfield
Parent	Rowe
Gariepy	Hatfield
Ross (Hamilton)	Cockeram
Clark	Desmond
McDonald (Parry Sound)	Daniels
Claxton	Tustin
Grant	Kuhl

Mr. HOMUTH: In spite of anything else, I was paired with the Solicitor General (Mr. Jean). Had I voted I would have voted against Mr. Speaker's ruling.

Mr. ROSS (Souris): I was paired with the Minister of Agriculture (Mr. Gardiner). Had I voted I would have voted against Mr. Speaker's ruling.

Mr. CARDIFF: I was paired with the hon. member for Chateauguay-Huntingdon (Mr. Black). Had I voted I would have voted against Mr. Speaker's ruling.

Mr. JACKMAN: I was paired with the hon. member for Bellechasse (Mr. Picard). Had I voted I would have voted against Mr. Speaker's ruling.

Mr. McMASTER: I was paired with the hon. member from Champlain (Mr. Brunelle). Had I voted I would have voted against Mr. Speaker's ruling.

Mr. STOKES: I was paired with the hon. member for Chambly-Rouville (Mr. Pinard). Had I voted I would have voted against Mr. Speaker's ruling.

Mr. WHITE (Middlesex East): I was paired with the hon. member for Middlesex West (Mr. McCubbin). Had I voted I would have voted against Mr. Speaker's ruling.

Mr. LESAGE: I was paired with the hon. member for Kamloops (Mr. Fulton). Had I voted I would have voted to sustain Mr. Speaker's ruling.

Mr. BRACKEN: I was paired with the Prime Minister (Mr. Mackenzie King). Had I voted I would have voted against Mr. Speaker's ruling.

Mr. COTE (St. Johns-Iberville-Napierville): I was paired with the hon. member for Grey North (Mr. Case). Had I voted I would have voted to sustain Mr. Speaker's ruling.

Mr. GRAYDON: I was paired with the Right Hon. the Minister of Finance (Mr. Ilsley). Had I voted I would have voted against Mr. Speaker's ruling.

Mr. BREITHAUPT: I was paired with the hon. member for Danforth (Mr. Harris). Had I voted I would have voted in favour of Mr. Speaker's ruling.

Mr. BROWN: I was paired with the hon. member for Lambton-Kent (Mr. Henderson). Had I voted I would have voted in favour of Mr. Speaker's ruling.

WHEAT

AGREEMENT BETWEEN CANADA AND UNITED KINGDOM

Hon. J. A. MacKINNON (Minister of Trade and Commerce): Mr. Speaker, I wish to announce that agreement has been reached between the government of the United Kingdom and the government of Canada for the purchase by the former of Canadian wheat over the four years beginning 1st August, 1946.

The agreement provides that the United Kingdom will purchase and the Canadian government will supply the following quantities each year: 1946-47—160 million bushels; 1947-48—160 million bushels; 1948-49—140 million bushels; 1949-50—140 million bushels. The contract provides that in the event of the United Kingdom requiring from Canada any additional quantities of wheat that the Canadian government is prepared to make available, such additional quantities as the Canadian government offers and the United Kingdom government accepts shall in all respects be subject to the provisions of the agreement. Part of the quantity of wheat specified in the contract will be supplied in the form of flour to the following amounts: 1946-47—500,000 tons firm with an additional quantity up to 140,000 tons dependent upon the out-turn of the crop; 1947-48—400,000 tons firm with an additional quantity up to 140,000 tons dependent upon the out-turn of the crop; 1948-49—a minimum of 300,000 tons, the actual tonnage to be negotiated by 1st July, 1947; 1949-50—a minimum of 300,000 tons, the actual tonnage to be negotiated by 1st July, 1948.

Mr. COLDWELL: Are those long or short tons?

Mr. MacKINNON: Long tons.

The price which the United Kingdom government undertake to pay for the wheat supplied is as follows, basis No. 1 Manitoba northern, in store Fort William-Port Arthur, Vancouver or Churchill: 1946-47—a fixed price of 1·55 dollars per bushel; 1947-48—a fixed price of 1·55 dollars per bushel; 1948-49—a minimum price of 1·25 dollars per bushel, the actual price to be negotiated by 31st December, 1947; 1949-50—a minimum price of one dollar per bushel, the actual price to be negotiated by 31st December, 1948.

The contract provides that its terms and conditions shall be subject to any modification or amendment which may be necessary to bring it into conformity with any international agreements or arrangements later concluded to which both governments are parties. Nothing in the agreement will affect decisions which may be taken on the basis of recommendations of the International Emergency Food Council.

The contract is based upon commercial considerations of mutual interest. It ensures to the United Kingdom substantial quantities of wheat during the expected period of shortage at prices below those which would be payable were there to be a free market at the present time. This is the commercial advantage which the United Kingdom secures. In the later period of the contract Canada receives the advantages of a guaranteed market, though for a diminished quantity, and of the assurance of at least the stated minimum prices. In determining the actual price in the last two years regard will be had to the extent to which the agreed price for the first two years falls below the world price for that period. Our farmers are therefore protected from crippling losses should there be a world slump in wheat prices. This is the commercial advantage which Canada secures.

I wish to table three copies in English and three copies in French of the agreement signed between the government of the United Kingdom and the government of Canada.

Mr. BRACKEN: I should like to direct a question to the Minister of Trade and Commerce arising out of the announcement he has just made. The house is aware that the practice has grown up of permitting members of the government to make statements at the opening of the house, which statements are not debatable. I do not wish to infringe that rule, but I should like to ask the minister or the Acting Prime Minister if they have in mind providing an opportunity for discussion of the policy just announced by the Minister of Trade and Commerce.

[Mr. MacKinnon.]

Mr. MacKINNON: Mr. Speaker, I anticipate that the estimates of my department will be before the house very soon, and at that time there will be an opportunity for full discussion.

Mr. COLDWELL: May I ask the minister a question? Were any of the agricultural organizations, the federation of agriculture or the western pools, consulted before the agreement with Britain was signed?

Mr. MacKINNON: Not as to details of the contract—not as to prices or details—but conversations took place in general terms with representatives of the pools and, I believe, the Canadian federation of agriculture, and almost anybody interested in the problem.

Mr. COLDWELL: But not as regards quantities or prices?

Mr. MacKINNON: I do not think that actual quantities or actual prices were specifically revealed to anybody.

IMMIGRATION

ADMISSION TO CANADA OF MEMBERS OF POLISH ARMY FOR AGRICULTURAL PURSUITS

Right Hon. L. S. ST. LAURENT (Acting Prime Minister): I have a statement I should like to make to the house with respect to the admission to Canada of a certain number of members of the Polish armed services to engage in agricultural pursuits. Hon. members are no doubt aware that the government of the United Kingdom, honouring undertakings given somewhat earlier, has obligated itself to find domicile for members of the Polish army which served with the allied forces, who may not choose to return to Poland immediately.

It is estimated that in all there were 159,000 men in this army: what portion have not been disbanded are now located partly in Italy and partly in the United Kingdom. It is well known that this Polish army served faithfully and well the common cause of the united nations, that the individual served with courage and distinction, and that most of these men have chosen not to return to Poland at this time. It is perhaps not unnatural that the government of Canada should give some thought to assisting in the establishment in civilian life of these Polish nationals who so staunchly aided the allied cause in securing the victorious outcome of hostilities and who now face peculiar difficulties in regard to demobilization.

In the circumstances the government has reviewed the situation to see whether we could render any assistance. And we have also considered as related to the first problem of the

establishment of these Polish nationals the fact that at the present time there still exists in Canada an acute shortage of suitable labour for agricultural employment, not only on a seasonal basis but as a more or less permanent situation.

In surveying the problems involved the government had the benefit of advice from an interdepartmental committee which was set up under the chairmanship of A. MacNamara, deputy minister of labour, and upon which there were representatives also of the Department of External Affairs, of the Royal Canadian Mounted Police and of the immigration branch of mines and resources.

After due consideration by the government of all the factors involved, the Ministers of Labour and Mines and Resources have recommended to cabinet council that a limited number of single ex-members of these Polish armed forces should be admitted to Canada conditionally for farm work.

The recommendation of the two ministers has now been approved by the governor in council P.C. 3112 of July 23, 1946. It authorizes a programme for assisting our farm labour problem, while at the same time sharing to some extent in the solution of an allied problem. I might summarize the main points of the order in council as follows:

1. Four thousand single ex-members of the Polish armed forces who served with the allied forces will be admitted to Canada shortly, on a conditional basis.

2. The men admitted must be qualified for and willing to undertake agricultural employment in Canada.

3. The Minister of Labour is authorized to arrange for representatives of the immigration branch of Mines and Resources, of the Department of Labour and of the Royal Canadian Mounted Police to proceed to the United Kingdom and Italy to select the 4,000 suitable men to come to Canada for agricultural employment.

4. The facilities of the national employment service will be utilized for the work of placing these men on farms, but provision is also made for dominion-provincial agreements if it be found desirable to arrange for the assistance of the provinces in connection with the task of placement.

5. Every Polish soldier admitted to Canada will be required to sign an undertaking that for a period of two years following arrival he will accept direction to farm employment and will remain at agricultural work.

6. Steps will be taken to ensure that the men admitted are engaged at current wages and in accordance with living and working conditions prevailing in the locality of employment.

7. The United Kingdom will bear the cost and responsibility of transporting the men to Canada and the Canadian government will bear the cost of distribution within Canada.

8. The order in council sets forth a declaration that each man admitted to Canada under this arrangement who fulfils for two years after arrival the terms and conditions under which he is admitted will then be granted permanent admission to Canada.

It is understood, of course, that any man who fails to carry out his obligation in relation to farm employment, or whose deportation becomes necessary otherwise, shall be returned to the United Kingdom.

I wish to lay on the table a copy of order in council P.C. 3112 of July 23, 1946, as referred to in this statement.

Mr. GRAYDON: Has the minister any information with respect to whether it will be married or single men who will be brought in?

Mr. ST. LAURENT: The order in council provides for the admission of 4,000 single men to be chosen because of their qualifications and willingness to engage in agricultural pursuits.

Mr. GRAYDON: I take it they will be experienced farm help.

Mr. ST. LAURENT: That is the intention. Representatives of the three departments affected are proceeding overseas to interview the men and to make sure that they will be in position to carry out the undertaking they will be requested to sign.

Mr. STEWART (Winnipeg North): Will these immigrants take precedence over refugees?

Mr. ST. LAURENT: I am not sure that I understand the hon. member's question. I will consider it and see what form of answer should be made. These persons will be chosen and their transportation to Canada will be arranged as a joint undertaking of the government of the United Kingdom and the government of Canada. I am not in position at the moment to say if it will interfere in any way with the movement of other persons.

Mr. HOMUTH: At least they were allied soldiers.

Mr. MacNICOL: Do I understand that all these Polish citizens are to be compelled to work on farms? In my experience there have been many Poles working in industry, par-

ticularly in the iron and steel foundry business, and they were excellent moulders. There have been no better men in the foundry business than the Poles, and I should not like to think that they were to be barred from taking positions in foundries, in which they have demonstrated that they are as good as the best moulders in the country.

Mr. ST. LAURENT: The order in council which I tabled this morning makes provision only for four thousand persons qualified and willing to engage for a period of at least two years in agricultural pursuits.

Mr. CHURCH: Could not agricultural workers also be brought into Canada from Holland or Great Britain? Men from these countries have done wonderful work in North York.

Mr. ST. LAURENT: I shall have to take the hon. member's question as a notice of a matter to be given consideration by the government. The announcement I made had to do with the members of the Polish army who found it would be difficult to return to Poland at the present time and for whom the government of the United Kingdom has undertaken to find domicile. The question my hon. friend raises is one which will have to be considered on other grounds than those which motivated the action which I announced this morning.

ROYAL CANADIAN AIR FORCE

AIRCRAFT MISSING OUT OF KAPUSKASING—ANNOUNCEMENT OF SAFETY OF PILOT

Hon. COLIN GIBSON (Minister of National Defence for Air): Hon. members of the house will remember that on June 29 a Meteor jet-propelled aircraft flying from Kapuskasing was reported as missing. In spite of an intense search covering several weeks no trace of the missing plane or pilot was found. I am glad to inform the members of the house that a report has been received to-day that the pilot of the plane, Flight-Lieutenant W. H. McKenzie, has walked into Blind River, nearly four weeks after he was reported missing.

UNEMPLOYMENT INSURANCE

RESIGNATION OF CHAIRMAN OF COMMISSION EFFECTIVE SEPTEMBER 30

Hon. HUMPHREY MITCHELL (Minister of Labour): I wish to announce to the house that the government has received the resignation of Mr. Louis J. Trottier, of Montreal, as chairman of the unemployment insurance commission, effective September 30 next. The resignation of Mr. Trottier has been accepted as of that date with regret. Announcement of the appointment of a new chairman will be made as soon as possible. For the information of the house I table herewith copy of Mr. Trottier's letter of resignation and copy of my reply.

[Mr. MacNicol.]

WAR CRIMES

REENACTMENT OF REGULATIONS MADE BY ORDER IN COUNCIL

Right Hon. L. S. ST. LAURENT (Acting Prime Minister) moved for leave to introduce bill No. 309, respecting war crimes.

Mr. GRAYDON: Would the minister explain?

Mr. ST. LAURENT: The explanation may be very short. This is a bill to reenact in statutory form the regulations that were made by order in council with respect to the trial of war criminals. The bill will provide that it shall remain in force until such date as is fixed by a proclamation to be published in the official *Gazette*. It is not thought that it is necessary to have the regulations in force as permanent legislation, but it is felt that it is necessary that they be in force for a longer period than would prevail under the order in council.

Motion agreed to and bill read the first time.

QUESTIONS

(Questions answered orally are indicated by an asterisk)

WARTIME PRICES AND TRADE BOARD—RENTAL ADMINISTRATOR

Mr. CHURCH:

1. Who is the rental administrator of the wartime prices and trade board, and who acts as his deputy during his absence?
2. What salary, travelling and other allowance is he paid?
3. Where is his office and how large a staff is employed therein?
4. What was his occupation prior to appointment, and has he had any experience in the real estate business?
5. Who is his representative in Toronto and what are the names of the staff employed there?

Mr. MAYHEW:

1.

Administrator of Rentals Administration—Owen Lobley.

Deputy Administrators of Rentals Administration and Region:

J. P. V. Desaulniers, Quebec and Maritime Provinces.

L. A. McKinley, Ottawa and Eastern Ontario.

R. E. B. Brocklesby, Ottawa and Eastern Ontario.

A. W. Johnson, Manitoba and Saskatchewan Provinces.

D. J. Bryan, Alberta and British Columbia Provinces.

H. MacKay, Montreal and Northern Quebec.

W. L. A. Pope, Toronto and Western Ontario.

2. $5,000 per annum (part time) plus his actual and reasonable travelling and living expenses when absent from Montreal on duty.

3. (a) Aldred Building, Place d'Armes, Montreal, P.Q.; (b) Twelve.

4. Occupation prior to appointment—Molson and Lobley Co. Ltd., Real Estate Brokers.

5. W. L. A. Pope, Deputy Administrator; G. R. G. Baker, Officer; Mrs. J. M. Bewley, Clerk; Miss B. G. Bourgoin, Stenographer; Miss E. A. Trott, Stenographer; Mrs. N. J. Cross, Secretary.

PASSPORTS

Mr. FRASER:

1. How many passports have been issued by the passport branch of the External Affairs Department since June 1, 1945?

2. How many of these were issued for travel to the United Kingdom?

3. How many were issued for travel to the United States of America?

Mr. ST. LAURENT:

1. From 1st June, 1945 to 23rd July 1946, Passport Office, Ottawa, issued 56,193 new passports and 21,518 renewals. Numbers of passports and renewals issued by missions abroad are not immediately available.

2. From 1st June 1945 to 17th April 1946, 18,564 new passports and 5,204 renewals of passports were endorsed valid for the United Kingdom. Figures for endorsements since April 17, 1946, are not immediately available due to a change of procedure in registration.

3. All Canadian passports are valid for travel to the United States of America.

MUD LAKE INDIANS—FRANCHISE

Mr. FRASER:

How many Indians of the Mud Lake Indian reserve, Peterborough county, have been enfranchised during the past ten years?

Mr. GLEN: One.

VETERANS REHABILITATION

LOANS TO UNIVERSITIES, TRAINING OUTSIDE OF CANADA, ETC.

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs) moved that the house go into committee at the next sitting to consider the following resolution:

That it is expedient to present a bill to amend the Veterans Rehabilitation Act, whereby provision is made, inter alia, that the Minister of Veterans Affairs may,

(a) provide Canadian universities with moneys to enable them to make, as an emergency measure, small loans to veterans attending universities and also to pay expenses of repatriation of certain veterans discharged in the United Kingdom in order to take training outside of Canada and to pay transportation expenses of the wife and child of such veterans from the United Kingdom to Canada or other designated place outside of Canada;

(b) provide training and re-training and pay allowances to a pensioner requiring such training by reason of an increase in his disabilities.

Provision is also made for entitlement of a member or former member of the Canadian forces to the statutory allowances and benefits in respect of all of his full-time service, if he is not accepted as a member of the permanent or regular force, or is not accepted for service for a special prescribed period; also for bringing a veteran suffering personal injury by accident when in training under the Government Employees Compensation Act.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the consideration of the house.

Mr. BENTLEY: Mr. Speaker, if it is in order for me to ask a question at this stage, I would point out that the veterans affairs committee also recommended that provision be made for out-of-work benefits for those who are waiting to take vocational training where the facilities are not yet available, and that is not included in the resolution.

Mr. MACKENZIE: I will take my hon. friend's question into consideration.

Motion agreed to.

PRIVILEGE

MR. CHURCH—REFERENCE TO ARTICLE IN TORONTO "GLOBE AND MAIL"

Mr. T. L. CHURCH (Broadview): Mr. Speaker, on a question of privilege I call attention to a report in this Morning's *Globe and Mail* in which I am quoted as using words I never used. The report in the *Globe and Mail* says that I said that—

—the housing shortage was caused by taxation because those in building industry did not consider it worth while to work overtime.

I never used those words. The report goes on:

He also expressed criticism of the proposal to defer tax relief until next year. The government should legislate for 1946 not 1947.

I said that. Then adds that I said:

Everyone was complaining about the budget.

I never said that.

FIELD MARSHAL MONTGOMERY

ARRANGEMENTS FOR VISIT TO CANADA

On the orders of the day:

Mr. GORDON GRAYDON (Peel): Mr. Speaker, I should like to direct a question to the acting Minister of External Affairs, perhaps in his capacity as leader of the government. I would ask him to acquaint the house with the progress being made in the plans of the government for the forthcoming visit of Field Marshal Viscount Montgomery. I understand that he is arriving in Canada during the coming month, and I am sure that the house and the country would be glad to know what plans the government has in mind for his welcome and for his itinerary.

Right Hon. L. S. ST. LAURENT (Acting Prime Minister): Mr. Speaker, I thank the hon. member for letting me know yesterday that he was going to ask this question so that I could get the information and be in a position to make some reply to-day. The information that has been supplied to me is this.

Speaking here shortly before his departure for London last May, the Prime Minister announced that Field Marshal Viscount Montgomery would be visiting Canada some time during the latter part of August or early in September. Owing to the present irregularity of trans-Atlantic sailings, the actual date of the field marshal's arrival had not become definite until within the last day or two. It is now fairly certain, however, that he will arrive in Halifax by boat on August 24.

Field Marshal Montgomery is coming as a guest of the Canadian government, and arrangements for his tour have been made by an inter-departmental committee working in conjunction with provincial and civic authorities through the military authorities in the various military districts. As Field Marshal Montgomery has undertaken to arrive in Washington on September 10, his tour in Canada will be comparatively brief. In order to permit him to visit all the provinces during the short time he will be here, the field marshal will travel almost entirely by air.

A schedule covering the dates of Field Marshal Montgomery's visits to the various provinces will be issued as soon as arrangements are complete.

SUNNYBROOK HOSPITAL

INQUIRY AS TO COMPLETION OF BUILDING

On the orders of the day:

Mr. T. L. CHURCH (Broadview): This is the eighty-eighth day of the session and so far we have had no information regarding the completion of Sunnybrook hospital. Would the minister be good enough to make a short statement as to when the men will be moved in. It is reported that 150 will be moved in on September 15.

Hon. ALPHONSE FOURNIER (Minister of Public Works): I will take the hon. gentleman's question as notice. I may remind him, however, that I have been sending him progress reports regularly on the work that is being done at Sunnybrook.

Mr. CHURCH: May I ask whether the reports in the newspapers are correct—

Mr. SPEAKER: Order.

GRAIN

FROST DAMAGE TO WESTERN CROP

On the orders of the day:

Mr. JOHN BRACKEN (Leader of the Opposition): I should like to direct to the Minister of Trade and Commerce a question with reference to the report, a couple of days ago, of damage to the western grain crop through frost. I have given him no intimation of the question and he may not have a full answer at hand. The question is whether his department has made any estimate of the damage to the western crop as a result of that frost and whether that damage is likely to have any serious effect on the output of grain in the western provinces this year. If the minister does not feel in a position to answer the question to-day perhaps he will take it into consideration and give a reply at an early opportunity.

Hon. J. A. MacKINNON (Minister of Trade and Commerce): The information that has come to me has come through the Canadian wheat board at Winnipeg, gathered by them from representatives throughout western Canada. The information I have is that there were serious low temperatures covering a very considerable area of Alberta and running into Saskatchewan. I am told by those who know that it is difficult to make any accurate estimate of what the damage may be, because, as we know, in such frosts in western Canada certain parts here and there are hit where other parts escape. In a great many cases it will be impossible to know what damage has been done until threshing. I shall make inquiries, and if I can give a more informative answer I shall be glad to do so.

FREE PORTS

INQUIRY AS TO REPORT OF INTERDEPARTMENTAL COMMITTEE

On the orders of the day:

Mr. D. K. HAZEN (St. John-Albert): I wish to address a question to the Minister of Transport. I have not given him notice of it, although I tried to do so. Has a report been received from the free-port interdepartmental committee? If so, will it be tabled this session.

Hon. LIONEL CHEVRIER (Minister of Transport): The report has not yet been received from the free-port committee, and that for several reasons. A number of cities in the dominion have asked for leave to present briefs. The briefs are not all in, and from my present knowledge of the situation I do not expect that the report will be made before the end of the session.

SUPPLY

Hon. DOUGLAS ABBOTT (Acting Minister of Finance) moved that the house go into committee of supply.

Motion agreed to and the house went into committee of supply, Mr. Macdonald (Brantford City) in the chair.

INTERIM SUPPLY BILL

Mr. ABBOTT moved:

That a sum not exceeding $136,598,972.86, being one-twelfth of the amount of each of the several items to be voted, as set forth in the estimates for the fiscal year ending 31st March, 1947, laid before the House of Commons at the present session of parliament, be granted to His Majesty on account for the fiscal year ending 31st March, 1947.

Resolution read the second time and concurred in.

WAYS AND MEANS

INTERIM SUPPLY

Hon. DOUGLAS ABBOTT (Acting Minister of Finance) moved that the house go into committee of ways and means.

Motion agreed to and the house went into committee, Mr. Macdonald (Brantford City) in the chair.

Mr. ABBOTT moved:

That towards making good the supply granted to His Majesty on account of certain expenses of the public service for the fiscal year ending March 31, 1947, the sum of $136,598,972.86, being one-twelfth of the main estimates, be granted out of the consolidated revenue fund of Canada.

Resolution reported, read the second time and concurred in. Mr. Abbott thereupon moved for leave to introduce bill No. 310, for granting to His Majesty certain sums of money for the public service of the financial year ending the 31st March, 1947.

Motion agreed to, and bill read the first time.

Mr. ABBOTT moved the second reading of the bill.

Mr. KNOWLES: Is the bill printed?

Mr. ABBOTT: It is printed and is in identical form with the bill passed on June 25. It asks for one-twelfth of the estimates as submitted to the house.

Mr. JOHN BRACKEN (Leader of the Opposition): I think the Acting Minister of Finance ought to give a little more information. Will he tell us what interim supply has already been granted by the house?

Mr. ABBOTT: Yes.

Mr. BRACKEN: Give us a little detail.

Mr. ABBOTT: Four-twelfths have already been granted. It might be expected that that amount should cover requirements for the four months period to July 31; but in practice this does not follow, owing to the seasonal nature of many of the activities that must be undertaken in the early part of the year and others where the demands are normally heavy during the first few months of the year, such as the sessional expenses of the Senate and the House of Commons.

A further complication this year is the large number of services which are closing out or materially curtailing their activities progressively during the year, and for which provision is included in the estimates on that basis. The additional proportions previously granted were to provide for a selected number of special items covering services which would have been seriously hampered without such additional provision. Many other services are affected to a lesser degree, but to a point where present supply is inadequate to pay accounts now on hand and to provide for salaries payable by the end of this month. In view of these circumstances it is necessary to ask for further interim supply at this time.

As I said a moment ago, the bill submitted asks for one-twelfth of all items to be voted in the estimates now before the house and is in exactly the same terms as the bill which was passed on June 25 last. When passed it will have provided for five-twelfths of the main estimates.

Mr. BRACKEN: Mr. Speaker, the measure proposed by the Acting Minister of Finance asks for interim supply for another month, and after four months' interim supply have already been voted without question by parliament. The official opposition will offer no opposition to this proposal. But while we are agreeing to it, I think we should point out that it is not good parliamentary practice. Without debate, without consideration, we are voting one-twelfth of the total supply asked for by the government. That cramps the style of the house in dealing with the whole question of supply. The remedy, I suggest, is that this house ought to meet earlier, and I respectfully urge upon the government the importance of meeting earlier so that we shall not only have more time for these things, but shall not be called upon to vote interim supply month after month after month without any consideration at all. We are now agreeing to vote one-twelfth, after voting four-twelfths, of every item of expenditure asked for by the government, some of which the house may not approve in full. Even though the house may want to disapprove some part of it, its hands are tied.

Mr. ABBOTT: It still has seven-twelfths to work on.

Mr. BRACKEN: Our hands are still tied on the five-twelfths that we might not wish to grant.

Mr. ABBOTT: It is almost inconceivable that the country will not require five-twelfths of these estimates for the full year.

Mr. BRACKEN: That is not the point. Interim supply is not voted in bulk.

Mr. ABBOTT: Yes, it is—$136 million.

Mr. BRACKEN: Is the Acting Minister of Finance asking for $136 million that he may distribute anywhere in the whole estimates, or is the amount not tied to each one of the resolutions that we adopt in supply?

Mr. ABBOTT: I think there is a proportionate amount to each department, yes, but it is not tied to a particular item.

Mr. BRACKEN: Is the minister quite sure that that is so? Is he sure he is correct?

Mr. KNOWLES: Read lines 24 and 25 of the bill.

Mr. BRACKEN: The minister cannot take this money and apply it anywhere he likes. We are voting one-twelfth of every item in the estimates, and even though the house wanted to disapprove any one of the items later, five-twelfths will have been voted without consideration by the house. That is the only point I am making. We are agreeing to this interim supply, but as I say, it is bad parliamentary practice. The answer to it is that the government should give consideration to the matter and should call this house together in January rather than in March.

Mr. ST. LAURENT: The answer to that was given to the house a few weeks ago when the Prime Minister discussed the introduction of a bill to extend from fifteen to sixty days the duration of emergency powers act. On that occasion he said that it was the firm intention to have the house meet at the end of January, 1947.

Mr. T. L. CHURCH (Broadview): I wish to object to another five-twelfths being granted at this time, for the same reasons that I gave before. Some years ago I said that parliament should be the sounding-board for the public. Only three or four departments have so far been considered, and we vote five-twelfths in all. You cannot blame the newspapers for not reporting here; they are short of newsprint. To-day we are voting money, five-twelfths of all the estimates, and all we know about it is a post mortem. The people who pay taxes find that on the schedules now before us they have to pay income taxes up to 22 per cent, 32 per cent, 42 per cent. and all that kind of thing. We might just as well admit that parliament is meeting in private, because judging from the reports in the newspapers the public generally do not know what is going on; the only ones who know are those who read the daily *Hansard*.

I referred to a matter this morning which appeared in a newspaper, and which was not mentioned by me yesterday. What information has the house received about the five-twelfths we are voting to-day? The amount runs into millions and millions of dollars. For the first two months of the session secondary matters were dealt with. It has come down to this, that those who pay no taxes, or very little, are imposing them on others. Business cannot be conducted much longer in that way. Here we are voting one-twelfth; we have voted four-twelfths already, which will make five-twelfths of the whole budget passed by us over the heads of the representatives of the people, who have so far dealt with only three departments. I protest against this sort of thing, as I have done on other occasions. I believe it is bad finance, that it is not in the public interest, and is against the principles of responsible government on which the Liberal party prides itself so much. Shades of the men we had

in this parliament in former years! On the 88th day of the session we have passed five-twelfths of the total budget, and some departments have not even been considered. This morning we have completely wasted one hour on the dead text books of the past, and all that sort of thing. I can tell you that a hundred years ago they did not vote money this way. That was what led to the tea being thrown into Boston harbour, the principle of taxation without representation. Fifteen months after the close of the war we have the Minister of Finance standing up in this parliament and adopting the same principles which led the people of Boston to take that action. Evidently we have not made a bit of progress. Every day we hear read opinions given a hundred years ago. It is time to restore responsible government.

The time has come to reject motions like this, and I shall vote against this motion even if I am the only member to do so. I shall assert the right of the people to be heard. They talk about conditions in the country, and all that sort of thing. I find that the main debates in this parliament are hardly reported at all in the press. The debate on the Judges Act was not even mentioned by some of them. I read several newspapers looking for it; that was an important debate, but there was hardly any report of it. I want to object to the way legislation is being put through. The opposition is not doing its duty, nor are the leaders in the house when they tell the Minister if Finance they will consent to another one-twelfth of the estimates. I am not going to consent to it; I am objecting. I am sorry this motion has been brought forward. Surely a matter of this kind should have come up at the opening of this morning's sitting, when all hon. members were in their places. Many are not in the chamber now, and of course the press gallery is gone. Hon. members no doubt are attending meetings of committees, but as far as the people back in the constituencies are concerned, from the reports appearing in the press we might just as well be meeting here behind closed doors. I do not blame the press for that because I know that through peace and war alike they have done their duty at great cost to themselves, and you cannot blame them for not reporting what goes on here when we spend tens of thousands of dollars on publicity and in other useless ways. Several departments of the public service, the main departments that are spending money like water, have not been even touched as yet.

As I say, this procedure is against the principles of Liberalism, and it is against the principles of the old Conservative party and of responsible government. I have sat here for many years, and I never knew of this being done, having five-twelfths of the estimates passed on the 88th day of the session. Here we are financing not only for this year but for 1947. Wait till you see the estimates next year! The people are taxed to death and controlled to death. We have an abundance of coal and other mineral resources, but we cannot get them out of the ground. It is different in the mother country, where they have real responsible government. What is the use of spending another one-twelfth? It would be far better to take the money and send bread daily to the old country by the famous T.C.A. lines. I object to this bill, Mr. Speaker, and if you declare it carried I suggest that it be on division.

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

WAYS AND MEANS

The house in committee of ways and means, Mr. Macdonald (Brantford City) in the chair.

INCOME WAR TAX ACT

9. That for the 1947 and subsequent taxation years, a taxpayer, other than a corporation or joint stock company, may deduct from the tax otherwise payable by him the amount of tax on income paid by him to the government of any province in which he resides not exceeding five per cent of the tax otherwise payable by him.

Mr. ABBOTT: Perhaps I might make the usual brief statement on this resolution, which implements that part of the dominion's offer to the provinces relating to the treatment of personal income taxes imposed by a provincial government which chooses not to enter into an agreement with the dominion. It is proposed that a person subject to provincial income tax in 1947 will be allowed to deduct such provincial tax, if any, from his dominion tax up to the amount of five per cent of his tax payable to the dominion.

Mr. FLEMING: In the remarks made by the Minister of Finance on June 27, and subsequently when he spoke last week on the budget, as I recall, he indicated that the offers made to the provinces might not be the subject of legislation at the present time. Therefore, this resolution and the one following it may offer the committee and the house the only opportunity which will be given this session to deal in detail with any aspect of the so-called offers submitted by the dominion to the provinces.

I suggest that the only way resolution 9 can be interpreted is that as to those provinces which are not prepared to accept the so-called offer of the dominion, the dominion is seeking to elbow them out of the field of personal income tax. If you examine this resolution you will see that the dominion is asserting its seniority in that field and is saying to any taxpayer, no matter how hard pressed he may be by the heavy burden of existing dominion income tax: You may not deduct any tax levied on your income by the province in which you reside except to the extent of one-twentieth of the tax on your income payable to the dominion. I think the full gravity of the position asserted by the dominion in this resolution has not been appreciated. In effect the provinces are to be confined to raising from income tax one-twentieth of the amount to be raised by this means, nineteen parts going to the dominion and one part to the provinces. And if the dominion reduces, as we hope it will soon, the levy made by way of income tax on the individual, the provinces will be compelled to reduce this tax accordingly. Otherwise the taxpayer pays so much more.

Similarly, if the dominion increases the levy on the income of the individual, to that extent the provinces will be permitted to take one-twentieth of the increase. I suggest the principle involved in the resolution is fundamentally wrong, and means the elbowing of the provinces out of a field which they claim the right to occupy until such time as an adequate agreement between the provinces and the dominion has been reached with respect to personal income tax.

I recall that certain of the provinces—and in particular I recall the offer of the premiers of Ontario and Quebec—were prepared to lease this field to the dominion on terms for a three-year period. I suggest the principle of this resolution is so wrong that it emphasizes all the more what was said by my leader a few days ago as to the vital necessity, in the interests of this country, of calling the provinces together to resume the dominion-provincial conference. It is particularly dangerous in this respect, too, as opening the way for different treatment of different provinces. It is a proposal that has within it the seed of disintegration of confederation. While my words may fall upon deaf ears, I must nevertheless record my protest.

Having said that, I would ask the acting Minister of Finance to clarify certain aspects of this matter. As to those provinces which do not accept the so-called offer of the dominion, and assuming that the dominion does not call the dominion-provincial conference together, is it the intention of the dominion to assist provinces which resume the levy of the personal income tax, as was done in the years immediately preceding the present tax agreement of 1942? Is it the dominion's intention to assist the provinces by way of making returns through one common form, and by putting collection machinery of the dominion at the disposal of the provinces? Would the minister indicate also the way in which the dominion, as a matter of administration, is going to work out the division of the tax in relation to the provinces which enter into the agreement on the suggested basis, as compared with those which do not?

Mr. ABBOTT: I will deal first with the hon. member's objection that this provision limits the province to one-twentieth, nineteen-twentieths going to the dominion. I trust the hon. member has not overlooked the fact that prior to entering into the wartime tax agreements the dominion income tax law permitted no credit to any taxpayer for income tax paid by an individual in a province. This is therefore a substantial concession over what existed prior to the war when various provinces were imposing personal income tax.

Mr. FLEMING: But I am sure the minister will admit that in those days we were dealing with an entirely different scale of taxation.

Mr. ABBOTT: It is true that the scale was lower; nevertheless the fact remains that this is a concession beyond that which was given prior to the war. And if as my hon. friend indicates there are further reductions in taxation, the field becomes still wider for provincial governments to enter the field and to tax as was done before 1941. It is a concession in principle; I do not think there is any doubt about it.

As the Minister of Finance pointed out at page 2910 of his budget speech:

> The provincial government would, of course, have to remain the sole judge as to the amount and nature of the tax it imposed on its own people, but obviously the inconvenience to the individual taxpayer involved in filling out two sets of income tax returns and calculating tax on two different bases would be decreased if the provincial tax were imposed as a fixed percentage of whatever tax might be payable to the dominion by the individual taxpayer.

I remember that that was the case with the city of Montreal income tax, when we had one there. The quotation continues:

> In order to be of assistance to that end, the dominion would be willing to make extra copies of its forms available so that when filling out his dominion tax return the taxpayer could merely make an additional copy and mail it with his cheque to the treasurer of the province.

That is what the Minister of Finance had in mind in connection with the question put by the hon. member whether the dominion would be prepared to assist a province in the collection of personal income tax where such province decided to impose it. The present view, as indicated in the minister's statement, is that the dominion would be prepared to supply additional forms, but the province would be expected to undertake its own task of collection.

Mr. FLEMING: I understood from the statement by the Minister of Finance that that applied to provinces coming in on this basis, but not to those which might seek to levy a tax in excess of the five per cent.

Mr. ABBOTT: If a province comes in, it relinquishes the right to impose personal income tax.

Mr. FLEMING: No; that is not my point. What application can it have to a province which does not come in on the basis of this resolution, by way of confining its tax to that fixed proportion of the federal tax, namely the amount of one-twentieth? What application has it to a province, for instance, which decides to set its own basis of income tax, without reference to this proportion of one-twentieth of the federal tax?

Mr. ABBOTT: All that the legislation to be based upon the resolution is intended to do is to establish a dollar limit up to which the taxpayer in a province which imposes a personal provincial income tax is entitled to take credit. The province must exercise its discretion as to what rate it imposes—whether it imposes it by way of a percentage of the dominion tax, a graduated percentage of the taxpayer's income, or whatever system it feels would be most appropriate in the circumstances.

Mr. FLEMING: What about the forms in that case?

Mr. ABBOTT: If the province did not adopt a percentage of the dominion tax, obviously it would be of no value to file an extra copy of the dominion income tax form.

Mr. FLEMING: Will the collection of the tax be entirely on their own?

Mr. ABBOTT: In those circumstances provision would have to be made for the filing of a separate return and, of course, separate collection.

Mr. KNOWLES: I have taken strenuous objection to certain of these resolutions, particularly Nos. 1 and 2, but I was surprised to hear the opposition voiced by the hon. member for Eglinton to resolution No. 9, and I believe the minister has made a correct reply when he describes this five per cent provision as a concession. As a matter of fact the only justification I can see for the concession is that it represents an attempt to lean over backwards in dealing fairly with provinces which do not wish to come in on the proposed agreements. It seems to me the best way to see the falsity of the position taken by the hon. member for Eglinton is to ask what would happen if the figure of five per cent were increased. I take it that that is what he wants. But suppose it were increased to ten, twenty or fifty per cent; if that were done it would simply put us back into the position we were in years before and which it was the whole purpose of the Rowell-Sirois commission to try to correct. It would simply put us back in the position where a province such as the one my hon. friend comes from, or the other of the two central provinces, could take into its provincial treasury the taxes collectible within the province.

Our whole basic contention is, and I believe this was basic in the surveys made by the Rowell-Sirois commission, that wealth created in Canada is created right across the country; where it happens to end up for taxation purposes does not bear any direct relation to where it was created. If your taxation is primarily on a provincial basis you will enable some provinces to tax wealth which has been created in other parts of the country. To the extent that you make this concession, and particularly to the extent that it is increased, you will aggravate that situation. We feel it should not be any higher. I am prepared to agree to that as a concession in the name of good will and as an attempt to lean over backwards in an effort to be fair, but that is all.

Mr. MACDONNELL (Muskoka-Ontario): I just want to say one word which will not be in discussion of the merits of dominion-provincial relations. I simply want to point out that what the hon. member for Eglinton was arguing was that it was the want of agreement that was making this thing necessary, and perhaps even worse things. That is the point he was making.

Mr. BRACKEN: I should like to ask a question with regard to the collection of income taxes. If the provinces agree with the dominion in this matter the dominion will collect all the taxes, but what is the attitude of the government with respect to the collection of these taxes when a province does not agree? Perhaps this has been stated before, but I am not quite clear as to the government's position. I understand its position is

that if the tax is a percentage of the dominion tax, the dominion is prepared to collect it for the province, but that if the tax imposed by the province is in some form different from that imposed by the dominion, then the dominion does not feel that it could collect. Perhaps a frank statement by the acting minister would let us know the government's position with respect to eliminating the collection of income taxes by one or other of the two governments. How far is the dominion prepared to go to eliminate two different governments collecting the income tax even though certain provinces may not come into the agreement that has been proposed?

Mr. ABBOTT: I thought I had made that point quite clear in answering the hon. member for Eglinton. As the Minister of Finance pointed out in the statement which I quoted, in the case of a province which did agree to come in, obviously the inconvenience to the individual taxpayer in filling out two sets of income tax returns and calculating taxes on two different bases would be decreased if the provincial tax were imposed as a fixed percentage of whatever tax might be payable to the dominion by the individual taxpayer. In order to be of assistance to that end the dominion would be willing to make extra copies of its forms available so that when filling out the dominion tax return the taxpayer would merely make an additional copy and mail it with his cheque to the treasurer of his province. That means that in the case of those provinces the dominion would do what it could to facilitate the completion of the form, but the province must undertake the task of collection.

Mr. BRACKEN: That is the government policy, that is as far as you are prepared to go—

Mr. ABBOTT: That is the present policy.

Mr. BRACKEN: —in cooperating with the provinces which do not come into this agreement in order to avoid the collection of taxes by two governments?

Mr. ABBOTT: If their tax is based on a percentage of the dominion tax, there will be very little difficulty involved for the taxpayer. As indicated in the minister's statement, instead of filling out his income tax form in triplicate he would fill it out in quadruplicate and send one copy along with his cheque for two or three per cent, or whatever it is, to the provincial treasurer.

[Mr. Bracken.]

Mr. BRACKEN: Would not the minister agree that it would be much simpler for all concerned if the dominion collected it all and turned a part back in a lump sum?

Mr. ABBOTT: It would certainly be very convenient for the provinces.

Mr. BRACKEN: Without much extra work for the dominion.

Mr. ABBOTT: I would not know. No doubt it would be convenient for the provinces.

Mr. BRACKEN: I think we are clear now. The government has stated that that is as far as it is prepared to go, that is, to make the forms available so that the provinces may use them, it will not collect for them?

Mr. ABBOTT: Up to the moment that is perfectly correct. The present view is that in those circumstances the government of the province should assume the task of collection.

Mr. MACDONNELL (Muskoka-Ontario): The minister said a moment ago that he was not prepared to say how much additional work there would be for the dominion, but I should like him to agree that it would be virtually no additional work, or only a trifle. I think we should be clear that the dominion could do this with virtually no extra work at all, and the dominion is refraining from doing it.

Mr. ABBOTT: My hon. friend is perhaps better able to judge how much additional work would be involved, but it would mean the opening of separate ledgers for the provinces, keeping records, making remittances, and so on. Unquestionably there would be additional work, but how much I am not able to say. As I said to the leader of the opposition, the present view of the government is as indicated by the Minister of Finance in his budget speech, but nothing is final in this world. It is a matter which no doubt can be discussed with the provinces.

Mr. MACDONNELL (Muskoka-Ontario): The minister does not do himself justice. I should be quite ready to take his opinion, because I feel he is perfectly capable of giving one. I should like to have him say whether he agrees that the amount of work involved would be trifling.

Mr. ABBOTT: I am afraid I do not agree, if the hon. gentleman is asking me for an answer. I do not know how valuable my opinion is.

Mr. McMASTER: It seems to me that we are just skidding around this whole question. This is the clause which deals with provincial-dominion relations. When I think of a budget

I think of it as having to do with the taking in of money and with the spending of money. In the schedule to this budget certain expenditures for the year are set out, and certain receipts; and incidentally there is shown a deficit of $300 million. I find in that schedule provision made for about $98 million to be paid to the provinces. I understand that the agreements with all the provinces will expire before this budget really comes into effect. Am I wrong in that?

Mr. ABBOTT: Yes. That $90 million odd covers subsidies payable during the fiscal year which began on April 1 last and will terminate on March 31 next.

Mr. McMASTER: I am dealing with moneys that we expect to collect in the year 1947.

Mr. ABBOTT: Those are estimates of revenue, and we are suggesting ways and means by which the revenue is to be raised.

Mr. McMASTER: Whatever we call it, the fact remains that in some future year, and that year is not going to be the one ending December 31, 1946, certain moneys are expected to be collected in certain ways and we are setting forth the method of those collections. Then there will be certain expenditures, and in the expenditures brought down it is estimated that $98 million will be paid to the provinces. In view of what has been said, that $98 million may be far afield. Is that not so?

Mr. ABBOTT: No; that amount is fixed under agreement with the provinces. It is made up of two items, the statutory subsidies under the provisions of the British North America Act, and the fixed amounts payable under the wartime tax agreements with the nine provinces. There is no dispute as to what that amount will be. We know definitely how much we are going to have to pay to the provinces for the current fiscal year which ends on March 31 next. There is no doubt as to that.

Mr. McMASTER: The estimates for the next year will come in later?

Mr. ABBOTT: That is right.

Mr. KNOWLES: I should like to say a word in support of my hon. friends to my right and of what the leader of the opposition said of a single collection of taxes even in those provinces that do not come into an agreement. I know that it was done in 1940 in Manitoba—the leader of the opposition will correct me if I am wrong, but I believe there was a single collection in that year, and only one form was made out in Manitoba.

Mr. ABBOTT: That was done in five provinces.

Mr. KNOWLES: If that is so, the department must have had enough experience for the minister to say whether or not it is a feasible proposition. Certainly I think it was better for the taxpayer. Although I support the principle in resolution 9, I do not think the individual taxpayer should be penalized any more than is necessary for the mistakes his provincial government may make.

Mr. ABBOTT: The hon. member for Muskoka-Ontario asked me whether I considered that the expense involved in collection would be more than trivial. The deputy minister tells me that it would be very much more than that, and relying on his judgment, I expressed my opinion for what it is worth.

Mr. MACDONNELL (Muskoka-Ontario): I would add this. It has nothing to do, of course, with the very agreeable gentleman who is now answering our questions, but I think it should be made clear that in punishing the province the dominion government is also punishing its own citizens who live in that province.

Mr. ABBOTT: There is no thought of punishment. We are simply allowing the provinces to exercise freedom, which is their right, and the responsibility that goes with it.

Mr. MICHAUD: I think, Mr. Chairman, we are discussing hypothetical difficulties which may never arise. I am not aware that any province has yet asked the federal government to collect its taxes. Judging from the action of the provinces at the dominion-provincial conference they are very jealous of their autonomy and some of them insisted on imposing provincial taxes. It would seem, therefore, to be far from their intention to ask the federal government to collect their taxes for them. I would not expect for one moment that they would even think of suggesting that the federal government do their collecting for them, and for that reason I submit that we are discussing difficulties which are not likely to arise.

Resolution agreed to.

Mr. ABBOTT: Mr. Chairman, I would ask that resolutions 10 to 16 stand for the moment, and that we take up 17.

Mr. MacNICOL: When will resolutions 10 to 16 be considered, may I ask?

Mr. ABBOTT: Perhaps to-morrow.

Mr. ROSS (Souris): They will not be dealt with to-day?

Mr. ABBOTT: I do not think so.

Mr. ROSS (Souris): It is only fair to give us some idea when they will be taken up, because many members have committees to attend.

Mr. ABBOTT: It will not be to-day, but I hope to-morrow.

Mr. BRACKEN: Mr. Chairman, it is five minutes to one o'clock and I should like before we rise to make an observation with respect to resolution 9, which has just been passed. The hon. member for Restigouche-Madawaska raised a point which I do not think should pass without comment. Prior to the war certain of the provinces asked that the dominion collect their income tax for them because their taxpayers found it very inconvenient to have to make out two forms. I know something about that, because I was on the other end then and I think Manitoba was the first province, or among the first, to ask the federal government to collect its income taxes. The dominion government did so, and we paid the dominion government for its extra cost, which was a considerable sum. But as a result the province itself made money because the dominion government could collect our provincial taxes much cheaper than we could, and our taxpayers in the province benefited to that extent.

Mr. LOW: Was it definitely established that the dominion could collect more cheaply than the province?

Mr. BRACKEN: We paid the dominion for the cost of collecting, and the price we paid was less than what it cost us to collect our own taxes. That was a saving to the taxpayer and to the government, and a convenience all round. I would ask the government now, is it not prepared to continue something like the arrangement which it had before the war with the provinces desiring it? I gathered that the minister is not so inclined, but I do hope that he will not close the door to that kind of cooperation.

Mr. ABBOTT: I have not closed the door. I said it was a matter that could be discussed, but that the present intention was that we could not undertake the collection.

Mr. BRACKEN: With all respect, I should not like to see the minister or the government leave the impression that they would not do now what they did before because some province may not come into a new taxation agreement.

[Mr. Abbott.]

Mr. ABBOTT: I am not trying to leave that impression.

Mr. BRACKEN: Nevertheless people may get that impression from the attitude of the government so far.

Resolutions 10 to 16 stand.

At one o'clock the committee took recess.

The committee resumed at three o'clock.

17. That a farmer or fisherman be permitted for the 1948 and subsequent taxation years, at his option, to compute his liability to pay tax on the average of his income for the taxation year and the two preceding taxation years.

Mr. ABBOTT: Under this resolution farmers and fishermen will be allowed to average their income for taxation purposes over a three-year period. The first year in which the tax may be paid on the averaged income will be 1948, and the actual operation of the plan will be as follows:

1. The taxpayer will pay his actual tax on this actual income in 1946 and in 1947.

2. In 1948 the taxpayer will average his income for the three years 1946, 1947, and 1948, and will calculate the tax that will be payable in each of those years at the rates of tax applicable to his average income in those years.

3. The amounts of tax actually paid in 1946 and 1947 will be offset against the total tax payable on the average income of the three years. The taxpayer will make claim for a refund if the actual tax he has paid in two years is greater than the tax on his three years of average income or pay any balance owing it it falls short of the tax on the averaged income.

The following example will serve to illustrate the operation of the method in an assumed case. Suppose a farmer, married with two children, has an income of $7,000 in 1946, $5,000 in 1947 and $3,000 in 1948. For 1946 he will pay $1,620 tax, and for 1947, $787 at the proposed tax rates. In 1948, according to the budget proposal, he will be able to average his income for the three years, recalculate his tax for each year as if he had earned that average in each year, and deduct the amount he has already paid in 1946 and 1947. This is how it would work out in the case I gave. Average income, $5,000; tax for 1946 at 1946 rates, $892; tax for 1947 at 1947 rates, $787; tax for 1948 at 1947 rates, $787. For the purposes of illustration I have, of course, assumed that the rates in 1948 are the same as in 1947. The total tax for the three years, according to this

calculation, would be $2,466, but the farmer has already paid $2,407 for 1946 and 1947 and will therefore have only $59 to pay for 1948. If he does not average he will pay a tax on $3,000 which, at the 1947 rates, would be $218. I give that illustration for the purpose of demonstrating how the plan would work.

Mr. FAIR: I am sorry the minister has not farmed in western Canada for a little while as some of the rest of us have, because he is compelled in the circumstances to go upon supposition. During my first five years of farming I had one successful crop year and four total losses. Anyone who wishes to check that can go back to 1916, 1917, 1918 and 1919. Very often in my district at that time farmers did not get as much grain out of the ground in those four years as they put in for seed. In 1920 we were fortunate enough to get a crop, but we are now again on the way to a recurrence of that programme. Last year in my territory we had an average of from four to ten bushels an acre. On Monday night last, I understand, we had eight degrees of frost and the grain has got to the stage where the bloom is all over and it is now in what is known as the milk stage. That means that we shall have a total crop failure again. What will happen in the next few years we do not know. For these reasons, which can be duplicated in several areas in the west, we should have the proposed period extended to five rather than three years.

I think the minister and the government are well aware that farmers in the west, and in the east as well, are paying indirectly a very large income tax, which is not recognized either by the administration or by the people of the country, in the low prices they receive for the products they sell. That should be taken into consideration by the government and we should be given some break. For that reason I move, seconded by the hon. member for Bow River (Mr. Johnston):

That the said resolution be amended by striking out the word "two" where it appears in the last line and by substituting therefor the word "four," so that the resolution will read:

"That a farmer or fisherman be permitted for the 1948 and subsequent taxation years, at his option, to compute his liability to pay tax on the average of his income for the taxation year and the four preceding taxation years."

Mr. ABBOTT: I am compelled to raise the same objection to this resolution as I raised to that put forward by the member for Beauce, namely, that it is a resolution which precedes the introduction of a money bill imposing a charge upon the revenue and therefore is a measure which can be introduced only by a resolution moved by a member of the government and preceded by authorization of His Excellency the Governor General.

Mr. ROSS (Souris): On a point of order, may I say that for all the minister knows this may bring the government more money than under present circumstances. Probably the government would raise more revenue in this way than it does now.

Mr. ABBOTT: It could not bring more revenue, because it is exercised at the option of the taxpayer, and human nature being what it is, the taxpayer would exercise the option most favourable to himself rather than to the government.

Mr. FULTON: It is stretching the point of order raised by the minister to try to cover this amendment, and have it ruled out of order, on those grounds.

Mr. ABBOTT: If I may interrupt, I am taking the ground that it is unconstitutional, the same ground that was taken by the Minister of Justice the other day. Under the British North America Act, legislation of this kind cannot be put to the committee unless it is introduced subsequent to an authorization of the governor general.

Mr. FULTON: As I understand it, the basis of the rule is that it might involve the government either in increased expenditure or in reduction of revenue. That is why it is felt desirable that only the government may introduce these bills or amendments. The point that we are trying to make is that it is not certain that the government will lose money. It is not certain that the amendment would involve the government in a loss of revenue. Indeed, the amendment makes available to the farmer an option which may or may not result in a loss of revenue. In any event the loss cannot be ascertained until the end of three years at least, because under the present proposal the government will not know its position until that time. All the amendment seeks to do is to make it a period of five years. I submit it is a change only in principle, not a change in effect.

Mr. ABBOTT: I am sorry; I cannot agree with my hon. friend. The amendment, in its terms, is obviously a relief measure, a measure which if implemented in law is designed to relieve the taxpayer of a burden. Because of that I must insist that it cannot be put to the committee except by a member of the government.

Mr. MacINNIS: The Acting Minister of Finance has used a phrase that I have never heard used in this house before. If the Minis-

ter of Justice used the same phrase on some other occasion I was not present; otherwise I should not have let it go. I have never heard the question of unconstitutionality raised on a point of order. Surely it is not a question whether it is constitutional or unconstitutional. As a matter of fact parliament can do all the unconstitutional things it likes, as it has done on other occasions. I have known of our passing in one session a number of bills which later were declared unconstitutional, but they could not be declared unconstitutional so long as we were dealing with them; consequently the question of unconstitutionality cannot be raised here. The point raised by the minister was that it was a money bill. That may be a point of order, but certainly the point of order of unconstitutionality cannot be invoked in proceedings of this kind.

Mr. ABBOTT: I do not pretend to be an expert on constitutional law, Mr. Chairman. In my use of the word I was following, I think, my colleague, the Minister of Justice. My point of order, or whatever one chooses to call it, is taken under section 54 of the British North America Act, which reads:

It shall not be lawful for the House of Commons to adopt or pass any vote, resolution, address, or bill for the appropriation of any part of the public revenue, or of any tax or impost, to any purpose that has not been first recommended to that house by message of the governor general in the session in which such vote, resolution, address, or bill is proposed.

It is well recognized British constitutional practice that resolutions of this kind can be introduced only by a member of the government of the day on a message from His Excellency the Governor General.

Mr. FAIR: I do not think the minister is on very solid ground; in fact I know he is on sandy ground, because his feet are slipping gradually as he steps from one argument to another. There is no indication whatever in the amendment that it will cost the government more money. The amendment is to give the farmers a chance to find out what their true position will be. I think they will average more in each year, and under the amendment the government would make more money over the period during which this amendment is applied. Hon. members know that farmers have had fairly good years for the past two or three years. I can only say that the minister is a wise man if he says it is going to cost the government more money, because he does not know the first thing about it, and neither do I.

The ACTING CHAIRMAN (Mr. Golding): Order. The point of order raised by the minister is well taken. Speaking to the point of order the hon. member for Kamloops emphasized the fact that it might reduce the expenditures. I should like to read citation 552 at page 164 of Beauchesne's Parliamentary Rules and Forms, second edition:

[Mr. MacInnis.]

Though it is the function of the committee of ways and means to impose rather than to repeal taxes, examples of the repeal of taxation effected in this committee are to be found upon the journals. Proposals for the variation or modification of taxation can therefore be made in the committee; but these proposals must be grafted upon the financial scheme submitted by the government, and must not affect the balance of ways and means voted for the service of the year.

Mr. KNOWLES: That is the key point.

The ACTING CHAIRMAN (Mr. Golding): I continue:

Amendments, therefore, can be proposed to substitute another tax, of equivalent amount, for that proposed by the government, as, for instance, a proposal to substitute probate and legacy duty on real property as an alternative for an inhabited house duty, the necessity of new taxation, to that extent, being already declared on behalf of the crown.

It is a well-established rule that in committee no hon. member may move an amendment which would be apt to reduce taxation or to increase expenditures; therefore I shall have to rule the amendment out of order.

Mr. ROSS (Souris): If you are ruling the motion out of order I should like to say a few words on the objective which the hon. member for Battle River—

Mr. FAIR: Mr. Chairman, with all due deference and before further discussion takes place, I challenge your ruling.

The ACTING CHAIRMAN (Mr. Golding): I hope hon. members realize that it is a well-established rule. It is not my ruling; it is a rule which has been applied many times. I hope the committee will respect it.

Mr. KNOWLES: I recognize that the rule and the practice are well-established by attempts which have been made in the past, but I suggest that the amendment is quite different from others, for this reason. The citation which you have just read, No. 552, says:

These proposals—

Referring to any amendment suggested in committee.

—must be grafted upon the financial scheme submitted by the government, and must not affect the balance of ways and means voted for the service of the year.

Mr. ABBOTT: That is just the point.

Mr. KNOWLES: I submit that the amendment proposed by the hon. member for Battle River does not affect the balance of ways and means for the service of this year, the year with which we are now concerned. It cannot have any bearing until 1948. On that ground I submit that the amendment is in order.

Mr. ABBOTT: It then becomes retroactive, and it affects the service of this year. In fact it may substantially reduce the amounts which will be raised as a result of the taxes imposed in this year. I do not think there can be any question of that. It is not a question of substituting another tax of equivalent value for the tax which is proposed by the administration. I urge very strongly, Mr. Chairman, that it is the responsibility of the government, on the recommendation of the governor general, to introduce money bills of this kind. That is where our system differs so clearly from the United States system. It is only the executive of the day which can, on the advice of the governor general, introduce resolutions preceding money bills, and this is clearly a resolution which falls within that category.

Mr. FULTON: Speaking once more to the point of order, I should like—

The ACTING CHAIRMAN (Mr. Golding): Order.

Mr. LOW: Does the minister not think that the suggestion contained in the amendment proposed by the hon. member for Battle River is reasonable? Is it not true that the Canadian federation of agriculture did request such a provision in the income tax resolutions? Before the minister answers let me say this. In view of the fact that this is a very important matter to the farming population of Canada, would it not be possible for the government to withdraw resolution No. 17 for to-day and bring it back in a revised form at another time, perhaps to-morrow or the next day? If that could be done it would obviate the necessity of some hon. members on this side challenging the ruling of the chairman, which I would not like to see happen. If it cannot be done in the way I suggest, however, I shall be forced to support any protest that may be made.

Mr. ABBOTT: If I may answer my hon. friend at once, of course I am quite ready and should be very glad to have the committee discuss the question whether five years should be substituted for three, and to take into consideration any recommendations hon. members may see fit to make on that very important question. But on the specific amendment moved by the hon. member for Battle River I must take the stand that it is not in order for him to move such an amendment. This does not mean the question cannot be discussed, but I do take the stand that it is not an amendment which can be moved by a private member of the house.

Mr. ROSS (Souris): On that point, would the minister be prepared to let us discuss this resolution and then let the matter stand until to-morrow?

Mr. ABBOTT: I think I must take the stand now that the amendment is out of order. I shall be very glad to listen to suggestions and discuss a possible amendment, but I must take the position that the motion which has been moved by the hon. member for Battle River is not in order.

Mr. ROSS (Souris): I agree, and therefore I was making this point. If the hon. member for Battle River withdraws his amendment will the minister be prepared to let us discuss the many ramifications of this matter, and then have the resolution stand until to-morrow so that he may consider the suggestions?

Mr. ABBOTT: Oh, gladly. I do not insist on the resolution passing to-day.

Mr. ROSS (Souris): It is a very important matter which should be discussed on its merits. Then it might be allowed to stand until to-morrow so that the minister could consider amending it from the government's point of view. Would that meet the wishes of the hon. member?

Mr. FAIR: That will be satisfactory.

Mr. ABBOTT: Then I take it, Mr. Chairman, that you have ruled the amendment out of order, and we are now proceeding to discuss resolution 17 as it stands.

Mr. FAIR: I am not accepting that ruling. I am withdrawing the amendment temporarily, in order to see what the minister will do to-morrow.

Mr. ABBOTT: If the hon. member withdraws his motion, of course I do not ask for a ruling.

The ACTING CHAIRMAN (Mr. Golding): I think I should also read to the committee paragraph 40 of Beauchesne's Parliamentary Rules and Forms, at page 169:

The fundamental terms of a money resolution submitted to the house with the governor general's recommendation upon which a committee

of the whole is set up cannot be amended. Amendments will only be in order if they fall within the terms of the resolution. The procedure in committee on those resolutions follows in principle the procedure of the committee of supply, and amendments are out of order if they are proposed with a view to substituting an alternative scheme to that proposed with the royal recommendation.

This is a well established rule, and I hope hon. members will respect it.

Mr. ROSS (Souris): I understand the hon. member for Battle River has agreed not to press his amendment at this time.

Mr. ABBOTT: He has agreed to withdraw his motion. He must do that, or I must ask for a definite ruling.

Mr. ROSS (Souris): But we can discuss this matter now and the minister will let the resolution stand until to-morrow.

Mr. FAIR: The amendment is withdrawn for to-day, with the understanding that the matter will be considered by the minister and the other members of the cabinet, and I or someone else can bring it in again, if necessary.

The ACTING CHAIRMAN (Mr. Golding): Has the hon. member leave of the committee to withdraw his amendment?

Some hon. MEMBERS: Agreed.

Mr. ROSS (Souris): This has been a matter of considerable interest to me ever since I came here in 1940, and in various budget debates I have advocated a period of five years. I think that argument is sound, because I understand that in Britain, where they have not the hazards in agriculture that we have in parts of Canada, they do allow a five-year period. If that is so I think the minister and the department might well consider the point.

Mr. ABBOTT: I am advised that there is no averaging in the United Kingdom, that it was withdrawn in 1926.

An hon. MEMBER: Wrong again.

Mr. ROSS (Souris): I am quite prepared to admit it if I am wrong. I understood that to be the case, and apparently it was at one time.

Mr. ABBOTT: I have just been informed that this is so.

Mr. ROSS (Souris): My own experience in western Canada has been much like that of the hon. member for Battle River. We certainly have our ups and downs; and while this is a step in the right direction I certainly would like to see the period made five years if possible, instead of three. I think it would be much better for a successful agricultural programme and for the nation as a whole if the average could be taken over a five-year period, and I trust the minister will seriously consider whether he can see his way clear to amend the resolution accordingly. As I say, it is something we have asked for since at least 1940.

While I am on my feet I should like to ask a question in regard to another contentious matter, particularly in the ranching areas of western Canada. I refer to the question of allowing some exemption in connection with what is recognized as a breeding herd. I have looked through these resolutions very carefully, and I do not see any other place where that matter might be discussed. Various hon. members on both sides of the house have raised this question in previous years. The suggestion is that at least a percentage of the recognized breeding herd should be allowed as capital when the herd is sold. I do not see any provision in the resolutions which would specifically take care of that. As I understand the situation through force of circumstances, because of lack of feed or something of the kind, a man may have to sell within one year a herd of good cattle which he has spent his lifetime building up; and if he does so, what he receives must be shown as income. It is true that under section 17 he can average that income over three years, but still it is quite a hardship on the man who has made the raising of live stock his life's undertaking. I should like to think the minister and the department might find some way to give a little relief to ranchers of this description.

Mr. ABBOTT: On that particular point, as my hon. friend knows this is a question which has received the fairly continuous and active consideration of the tax department for some time. I do not know that any solution satisfactory to the cattle raisers has been found as yet; the question is under continuous examination, but I do not know that I can give any definite statement now as to what if any change will be made. I recall that the Minister of Finance made some reference to this matter in his budget speech, at page 2918 of *Hansard*, where he said:

> The general adoption of the three year forward averaging system which I have just announced should be of great assistance in more normal cases where a live stock herd is being maintained but annual live stock sales may vary from year to year. Several suggestions for carrying the basic herd principle further have been made and in this connection I must acknowledge the help received from various members. Most of these, however, involve maintenance by the farmer of accounting records of greater or less complexity and whether they will prove practicable from the standpoint of both

the farmer and the tax administration is a matter which will have to be worked out by the administrative officials in consultation with the Department of Agriculture.

I am advised that those discussions are still proceeding. I think it is clear that the proposed three-year average should afford some measure of relief, but I am not an expert in this field and my opinion on that, as on some other matters, is not of very great value.

Mr. IRVINE: Would the minister mind indicating to the committee what particular objection could be offered, from the government's point of view, to extending this to five years instead of three?

Mr. ABBOTT: One obvious objection, of course, is that the farmer would get no benefit for five years, since the averaging must be five years forward. One cannot average back, because the farmer's return may not have been filed. As contemplated under this resolution he would have to go forward. The number of years suggested is the average before the farmer can derive any benefit. In the case suggested by the hon. members for Battle River and Cariboo it would mean that the farmer would have to wait five years before getting the benefit of the averaging. The line has to be drawn somewhere. This, I suggest, is a substantial measure of relief, and it seems to me we should try it out. I should add that it is a moving average, in that it keeps moving forward.

Mr. SENN: I approve the resolution as far as it goes. As the minister has already said, it does afford a measure of relief. I am sure however that the contention of the hon. members for Battle River and Souris can easily be justified. From time to time farmers have what are know as dispersion sales, when they sell off their stock and implements which they have accumulated over a good many years—perhaps ten or twenty. If they are to be allowed to average only over three years, then it is certainly unfair because such a sale would represent an accumulation of twenty years of effort. I do not wish to press the matter further, but I think the mechanics of this matter should be examined into. The minister stated a case where a farmer in one year made $7,000, in the next year $5,000 and in the next year $3,000. In the final year, averaging for the three years, he had only a small amount to pay by way of income tax. What would happen if those figures were reversed? Suppose he had more in two years than the three years would amount to; would he get a refund?

Mr. ABBOTT: He gets a refund.

Mr. SENN: I just wanted to be sure about that.

Mr. ABBOTT: I intended to say that in my preliminary statement.

Mr. SENN: I did not hear it. The next thing I should like to find out from the minister is this. Let us take the year 1948, and average it up with 1947 and 1946. Does that complete the calculation or the averaging, so far as it goes? In the year 1949 could one use 1948 and 1947?

Mr. ABBOTT: He takes 1949, 1948 and 1947. That is what I meant by saying that it is a moving average.

Mr. SENN: He can use those years on two or three occasions.

Mr. ABBOTT: Yes; it is a continuing three-year average.

Mr. SENN: I am glad to hear that.

Mr. ABBOTT: It seems to me that that largely takes away the need for the five-year average, once it comes up to the third year. It is a moving average, and, as the hon. member for Haldimand has so aptly said, one may use the same years two or three times in averaging.

Mr. BRYCE: I want to say something about this five-year average, because I have been sent to Ottawa by the constituency of Selkirk, in which are included both fishermen and farmers, and they want the five-year provision.

The last argument used by the minister was his best. But suppose we have to wait five years—if it is to be just and reasonable we do not mind waiting that time. I want to be sure that it is just and reasonable. I think five years is more reasonable than three. The minister has said that the process of spreading it over a number of years has been done away with in the old country. I would point out, however, that over there they have a crop every year. They do not have to wait five or six years, as we sometimes do in the west. I support the hon. members for Battle River and Souris when they urge that it be made five years.

While I am on my feet I should like to ask the minister for a clear definition of "farmer". I should like to be clear on that before I go back to Selkirk.

Mr. ABBOTT: This time I knew what I was going to say before I rose. While I should like to oblige my hon. friend by giving that definition, I do not feel I can do so in sufficiently adequate legal terms. The deputy minister tells me that consideration has been given this matter. It is a difficult problem,

and we hope that when the bill is before the house within the next day or two, when we have completed these resolutions, it will contain a satisfactory definition of "farmer".

Mr. BRYCE: Can the minister define "farmer"?

Mr. ABBOTT: I would not attempt to define it to-day.

Mr. BRYCE: That is the kind of answer I expected from a lawyer. It does not answer my question at all.

Mr. ABBOTT: What I intended to say to the hon. member was that the bill which will follow the resolutions may contain a definition of "farmer". I am not capable of defining it.

Mr. BRYCE: "May" and "shall" are much the same. This is a serious matter. I am particularly concerned about my own constituency, because they sent me here. There are many different kinds of farmers in the Red River valley, and I would not like to see any of them left out. For instance, we have mink farmers. Would they be included? A mink farmer might have a good crop this year, but next year a dog with distemper may come around and the farmer might lose his whole crop. Is he to be taken into consideration? Then what about the market gardener when he loses his crop through flooding or a hail storm? Is he classified as a farmer?

Mr. ABBOTT: The hon. member is pointing out the defects which are obvious to all of us when we attempt to frame a definition of "farmer". I am inclined to agree that we must attempt to do it in the act, although it will not be an easy task. I agree, too, that all classes of genuine farmers should receive the benefit of this proposal.

Mr. BRYCE: Has the Department of Finance given consideration to incomes on farms earned by the whole family? We know that income tax forms are filled out by separate individuals, whereas five or six individuals may have earned the income. This is most unfair to the farmer who has children ranging from ten to sixteen years of age who are going to school but who also milk cows and help at harvest and threshing time. There is nothing in the income tax act which allows anything for their wages. After they become sixteen years of age an allowance can be made for board and a certain amount of wages. Prior to that, however, although they add to the farmer's income, he must pay on it. Has anything been done about this?

Mr. ABBOTT: I believe the ordinary rules would have to apply. An adult son of a farmer could hire out to the neighbouring farmer as a helper. I can see no legal reason why he could not be paid by his father, and in such event the wages would be deductible as expenses of operation. The income of the farmer would be reduced proportionately while the income received by the son, let us say, would be taxable income if he were getting over the exemption limit.

Mr. BRYCE: I have not been able to get my point across. What the minister has told me is correct as applied to the young fellow who has reached sixteen years of age and is able to go and work for himself, but I am thinking of the farmer's wife and family, his sons and daughters, who are at home and who milk the cows and do the other jobs. There is no allowance made for that work, and the farmer has to pay on the income that is made by five or six different people. We all know that the wife on the farm contributes to the farm income by producing poultry, honey, and so forth. She works from morning to night, and no allowance on income is made.

Mr. ABBOTT: What my hon. friend has said is true, but the same thing is true of other occupations. In the small town where I was brought up the wife and children often helped, possibly around a small store or in the home. It is all part of a way of life, although it may be a bit more pronounced in the case of the farmer's wife.

Mr. BRYCE: In the case referred to by the minister they would work only from eight in the morning until the time came to close the store for the day, but the farmer's family would work from daylight to dark.

The ACTING CHAIRMAN (Mr. Golding): There are quite a number of sections which deal with these matters. Resolution No. 17 reads:

> That a farmer or fisherman be permitted for the 1948 and subsequent taxation years, at his option, to compute his liability to pay tax on the average of his income for the taxation year and the two preceding taxation years.

If we are to make progress I think we shall have to stick to the resolution before the committee and deal with each resolution as we come to it.

Mr. LENNARD: I should like to follow up the remarks of the hon. member for Souris in respect to the unfair treatment of those who have sold herds over the past several years. I should like to cite an example which I have given before. There is one man in my riding who over the years has accumulated a good deal of land. Any profit which he made from his farming activities he put into more land. To-day his

holdings are considered as capital gain. I know of several farmers in that same area who have built up large herds but who because of lack of help or difficulty in marketing have had to sell their herds. They have received most unfair treatment; to use a slang expression, they have lost their shirts. The man who had accumulated land over the years is considered to have a capital gain which is non-taxable, while the man who accumulated a herd and had to sell is taxed to the limit.

Mr. ABBOTT: Of course that is true also in other fields. In the one case the man is putting his earnings into capital, while in the other case he is putting his earnings into inventory.

Mr. LENNARD: I consider that any man who builds up a herd over the years is making a capital gain.

Mr. ABBOTT: He charges to his annual income his expenses in building it up.

Mr. GRAYDON: Surely a calf is a capital gain.

Mr. JAENICKE: I should like to support the idea advanced by the hon. member for Battle River. I made the same suggestion when I spoke in the budget debate. The minister gave us a hypothetical case of a farmer who makes $7,000 this year, $5,000 the following year and $3,000 in 1948. That may be possible in the east, but it is not possible in the west. If a farmer in the west had an experience like that for three years I think he would be quite lucky. As the hon. member for Battle River pointed out, because of low temperatures that have prevailed during the last few days many farmers in the west will likely have nothing at all.

One farmer I know of had a loss in 1942—the income tax department acknowledged that loss—of $1,100. In 1943 he had an income of $2,500 upon which he was taxable. In 1944 he had a profit of a little over $1,100. In 1945, because of circumstances beyond his control, he had to sell $1,100 worth of cattle. Surely such a man is entitled to more than three years in which to average his income. The minister says that this is a sort of revolving affair, but I should think that if such a farmer averaged his income in 1948 he would be through and would have to start all over again.

Mr. ABBOTT: I did not call it "revolving"; I called it a moving average. We are starting this in 1946; 1946, 1947, and 1948 will be the first three years which can be averaged. When the year 1948 is concluded and the farmer knows his results for that year, he will then be in a position to determine finally his income tax liability for the three years. He is entitled to have his average go on to 1949. In 1949 he takes the years 1947, 1948 and 1949, so that he has the same two years in as he had in the preceding year. Then in 1950 he will have 1948, 1949 and 1950. It is a moving average.

Mr. JAENICKE: Supposing he exercised his option in 1948 and averaged his income for the three years, would he be through?

Mr. ABBOTT: No. In 1949 he has the option of averaging again, unless the law is repealed.

Mr. JAENICKE: That puts a different picture on the whole situation.

Mr. ST. LAURENT: If a man elects to average his income, the income of 1948 will affect the tax of 1946, the tax of 1947, the tax of 1948, the tax of 1949 and the tax of 1950. In effect, when the thing gets going, the good year or the poor year will have its effect on the two preceding years and on the two following years. In reality there is an effect over five years.

Mr. JAENICKE: There will be an averaging of even more than five years.

Mr. ST. LAURENT: The income of the middle year affects that year itself and affects the two preceding years and the two following years.

Mr. ARCHIBALD: I do not think there is going to be any difficulty about whether we average it on three or the five years, because the income tax department is so inefficient that my fishermen, on the coast have had no tax returns since 1942. The result is they will have a five year average before they are through. I have a letter here which I received from a cooperative in Prince Rupert and which I gave to the income tax department. It is dated April 26, and it points out that sixty-eight fishermen have a total of $21,365.75 being held back. As late as July 10, I received another letter to the effect that they are getting from the Vancouver office dozens of requests to file returns when in fact returns have been filed. I object strenuously to this inefficiency which is putting an unfair burden upon these people. I realize the department has helped out to the extent that it has cut down the amount taken from the fishermen when they sell their fish immediately from twenty per cent to ten per cent and from ten per cent to five per cent, depending on the type of fishing that is done. First, I

should like to ask the minister why there is discrepancy between the east and west coasts; why is it you have to take off ten per cent and five per cent—it used to be twenty and ten per cent—on the west coast when you do not do it on the east coast? I have been on the fisheries committee and heard the canning companies say that the eastern fishermen are as prosperous as any fishermen in the world. The men on the Pacific coast feel that they are being grossly discriminated against.

I have a suggestion to make to the department in the matter of collecting income taxes. In the halibut fleet on the west coast the men work on a share basis with the skipper, and the boat also receives a share. The skipper owns the boat and he is taxed both as skipper and as owner of the boat. He feels that he should not be condemned, as it were, because he owns the boat, to have to pay two taxes. I would urge that a departmental income tax office be established in northern British Columbia to solve these problems because our people there are getting no satisfaction from the Vancouver office. The only reply I have had to my letter in regard to the reductions from twenty to ten and ten to five is that letters are still coming from the department asking for more returns. Would the minister consider setting up an income tax office in northern British Columbia? The difficulties have been going on since 1942 and time is rolling on.

Mr. ABBOTT: I shall be very glad to consider whether it would not be possible to open an office in northern British Columbia. On the other point as to discrimination, I will look into that. I do not see why there should be discrimination. Mind you, the deduction at the source must be taken care of, but I will concede that so far as I can see there should be no discrimination between the fishermen on the west coast and those on the east coast.

Mr. FULTON: In connection with the three-year moving average, the point made by the minister that if the five-year period were adopted the farmer would have to wait for five years before getting any benefit is not generally applicable, for this reason. The farmers have in large degree shared the fairly high level of prosperity which has been general across the country and the farmers in my district at all events have been filing returns for the last three or four years. If they were allowed to take into account their returns over the previous years there would be no necessity for their waiting a further five years before they could start to average. The Minister of Justice, in the figures which he just gave, I think lent point to the argument in favour of the five-year moving average as against the three-year. He pointed out that if we take the three-year period, the middle year affects the average for the two preceding and two subsequent years. If you take the five-year period, one year will affect the tax for the four preceding and the four subsequent years, and in that way you are more likely to get the real average. I think it is conceded that farming cycles run in at least ten-year periods, certainly not five, and therefore the greater number of years you take into account the nearer you get to the real average, certainly more so than if you take the three-year period. In addition, the five-year moving average was the recommendation of the Department of Agriculture itself. After receiving briefs from the council of Canadian beef producers, representing councils all across the dominion, the Department of Agriculture submitted a brief to the Department of Finance, in which they had this to say:

> After careful study, the department makes two recommendations:
>
> 1. Taxes be finally assessed on the basis of a five-year moving average of profits and losses.

From the illustration they give on the second page of the brief it is quite clear that they intended it to be a five-year as against the current three-year proposal. At all events they recommended that it be a five-year period. Has the Department of Finance given consideration to that brief? Since the minister has said that he will give further consideration to this matter before to-morrow, I would ask if the Department of Finance has made specific objections to the point raised, and whether there is any reason why the five-year period should not be adopted.

Mr. ABBOTT: Careful consideration was given to the brief, and it was felt that the three-year average was appropriate. This is a special right which is given to one class of the community. It has been urged for some time. I think myself that it is a step in the right direction. After careful consideration the Minister of Finance, his advisers and the government came to the conclusion that the three-year period was appropriate, and that is the proposal that is put forward in the budget resolutions.

Mr. FULTON: It cannot be denied that it is a move in the right direction, but I hope the minister will between now and to-morrow consider this suggestion, which was first advan-

ced by the member for Battle River, and see if it does not deserve further consideration.

On the point of the capitalization of breeding herds, it seems to me that this whole question comes down to whether a breeding herd or basic herd is capital.

The ACTING CHAIRMAN (Mr. Golding): I think that is hardly in order in this resolution.

Mr. FULTON: The resolution deals with the liability of a farmer to taxation, and allows him to average his income over a three-year period. The question of the capitalization of the breeding herds comes in, Mr. Chairman because the farmer may sell all his herd and is liable to income tax on the proceeds. My point is that the three-year period is of no assistance to him.

Mr. ABBOTT: I think it would be appropriate, Mr. Chairman, for hon. members to discuss that point on the resolution now before the committee.

Mr. FULTON: On the point of the capitalization of breeding herds, it seems to me that this whole question comes down to whether a breeding herd or basic herd is capital. The point behind the submissions advanced by those who want the basic herd regarded as capital is that the breeding herd is as much one of the tools of production as land and buildings or the tools used in a factory. I made this point last year when this matter was up for discussion, and I do not think anything is to be gained by repeating what I said then, but I wish to point out in addition that the United States Department of Finance does recognize the breeding herd as capital. The Canadian Department of Agriculture in its brief, in appendix 2, referred to the special treatment allowed in the United States and quoted the following extracts from the U.S. Inland Revenue Bulletin No. 11 of June 12, 1944:

> Live stock used for draft, breeding or dairy purposes, irrespective of whether such stock was raised or otherwise acquired, is property used in the trade or business, of a character which is subject to the allowance for depreciation.

And further this extract is given from the United States Department of Agriculture, publication 554, dealing with farm bookkeeping and the federal income tax:

> Depreciable capital goods—

Capital is the word used:

> Depreciable capital goods includes all buildings and land improvements (except the owner's dwelling), machinery, equipment, work animals, breeding and dairy stock.

In the United States the breeding herd is regarded as capital. When this question was raised last year the Minister of National Revenue advanced certain arguments against such a view, which are to be found at page 3743 of *Hansard* of December 18 last. The minister made this point:

> Again, it had to be pointed out that the cost of raising or purchasing that stock had been allowed as an expense of previous years . . .

The answer to that is that there are many allowances which are made for capital outlay. Reduction from income is allowed for capital acquisition, and yet when the asset is subsequently sold it is not claimed that the proceeds are income simply because the original allowance was made. All we wish to do is to draw the same parallel between these capital assets and capital assets represented by breeding herds.

Mr. ISNOR: Would the hon. member give an example of capital increase, as far as business is concerned, where the income tax department allows it?

Mr. FULTON: Yes. Where a doctor lays out money to enlarge his library he is acquiring something which he uses in the course of his profession, and he is allowed a reduction in taxable income for the purpose. But if subsequently he sells his library, the proceeds of that sale are not regarded as income but as a realization of capital.

Mr. ISNOR: But that is a professional investment.

Mr. FULTON: I think I know what the hon. gentleman has in mind, and I shall deal with the point in a moment, when I trace the parallel between allowance for depreciation and allowance for acquisition or replacement of breeding stock. That point was dealt with by the Minister of National Revenue at page 3744:

> Questions have been raised as to the taxation of the proceeds of breeding animals. Inasmuch as the cost of purchasing or raising such animals has been allowed as an expense, the proceeds of sale represent taxable income.

As regards depreciation in business, a business is allowed to set aside a certain amount for the purpose before taxation; yet when the asset is sold the proceeds are not regarded as income simply because a deduction has been allowed for depreciation. In the same way, if you have to replace a breeding herd—because animals deteriorate over a passage of years; after a time an animal is no longer useful for breeding purposes—the fact that you have been allowed to make a

deduction for replacement or to buy a new animal, which corresponds to depreciation, is no argument that when you sell your stock the proceeds of sale constitute income and not capital. The Department of Agriculture recognized that point in its brief, in which it stated:

> Prices of pure-bred breeding stock are subject to extremes beyond reason, caused by influences outside of Canada and outside the agricultural industry proper and are the result of buying by wealthy men or hobby farmers; yet the bona fide breeder must pay such prices if he is to remain in business, although well aware that he is likely to experience a heavy loss.

That is an incontrovertible fact and, if taken into consideration, is a strong argument in support of the contention that breeding herds are capital. If that position is once recognized—and it is the true position; it is the basis of the argument—there can be no justification for any further delay in giving due recognition to the fact in the tax system. It is true the Minister of Finance pointed out, at page 2918, as referred to by the acting minister, that the general adoption of the three-year forward averaging system should be of great assistance, but he referred to the "more normal cases where a live stock herd is being maintained". That in itself shows that it is not applicable where the herd is being sold, because the moment you sell the herd your operation is completed. You cannot average forward, because you will not have sales in the succeeding year, although if the three-year system is adopted you can average back for two years. But the only effect of that will be that your tax in the two preceding years will be considerably raised, and the net effect is that no relief will be given the taxpayer at all.

Further support of this contention will be found in the second of the recommendations given in the brief of the Department of Agriculture, where it is urged that breeding herds be recognized as capital assets. The hon. member for Battle River, the hon. member for Souris, the hon. member for Wentworth, and nearly all other hon. members who have spoken on this side, have given illustrations of how the failure to recognize this principle works injustice to the farmer. I know of numerous examples myself. The reason this point is important now is that farmers, and particularly cattle ranchers operating their business as a going concern, are paying taxes. Many of them are getting old and wish to retire but are prevented from doing so or, if they do retire, they are taxed on the proceeds of the sale of the whole herd, so that instead of having a fairly substantial amount on which to retire, they have little left and have to look about for some small business or other in which to engage.

The thing is a problem now and I suggest to the minister very earnestly that he lose no time in finding a solution. He should not content himself with saying that the matter is receiving active consideration by the department. If there is any basis of truth in the contention put forward, I submit to the minister that the time to make adjustments is now.

Mr. McLURE: A short time ago an hon. member asked the minister to define "farmer," and I understood the minister to say that he would give a definition later. I want to make this suggestion to him when he is having these definitions drawn up. To-day there is what is known as the aquafarmer, that is to say, the oyster farmer. That class of farmer comes under all the regulations of the fisheries department. Again there are fur farmers throughout Canada, and they all come under the regulations of the Department of Agriculture. I offer this suggestion to the minister in the hope that it will help him in the definition of "farmer."

Mr. ABBOTT: Thank you.

Mr. McCULLOUGH (Assiniboia): Some time ago the Minister of Justice referred to the proposal that the farmer, at his option, be allowed to compute his income tax over a period of three years, and he said that the three-year period would really be covering a period of five years. That is so, but it does not meet the point that has been made by the member for Battle River. The important thing to the farmer is that he be allowed to compute his income tax over a period of five years, which is the recommendation of the Canadian federation of agriculture. Taking the three years 1947, 1948 and 1949, in 1947 the farmer would make his computation on the basis of 1947, 1948 and 1949. The point to be established in conformity with the amendment which the member for Battle River moved is that the farmer wants to be able to compute his tax over the average of five separate years.

Mr. FAIR: Before we leave this point I wish to associate myself with the remarks of the hon. members for Souris, Selkirk, Wentworth, Kamloops and many others who have spoken with reference to the placing of herds in the capital assets class. We all realize that

before a person can make any profits out of a herd he has to invest money in it, the same as in his farm buildings. In connection with the remarks made by the Minister of Justice, the hon. member who has just taken his seat has pointed out something that should be taken into consideration. You deal with 1946, 1947 and 1948. You get the average of these years and immediately you go on to the year 1949. You dispense entirely with the year 1946 and use the years 1947, 1948 and 1949, so that you are still on a three-year average.

One question has been asked of me on numerous occasions, namely, if the farmer is on the three-year average and uses it for a certain number of years, can he go back to the annual?

Mr. ABBOTT: Yes.

Mr. TOWNLEY-SMITH: On that particular point, can a farmer or fisherman duck around? Can he take three years on his option and then take one year, and then return to the three-year system and pick out the years which suit him best? Let me say a word on the five-year average which has been referred to by a number of speakers. When universities are considering their experimental work they invariably take a five-year average, or longer if possible. They feel that they can get closer to the truth by taking not less than five years, and more than that if at all possible. In five years you do actually come closer to the actual situation.

Mr. ABBOTT: The five-year question is under discussion at the moment, but I think it is evident to hon. members of the committee that once a farmer has elected to average his income, it is bound to be to his interest to continue on that basis. It cannot be otherwise.

Mr. HARKNESS: I should like to say a word about the basic herd principle. We discussed it at some length on the budget resolutions last year, and hon. members gave numerous reasons why it should be adopted. At that time the minister said that it was being given and would be given active consideration. We have discussed it again to-day, and once more the minister has said that it is being given active consideration. Apparently no progress has been made; we are in exactly the same position now as we were last year. Has the government adopted the basic herd principle, and is it prepared to put it into its taxation system?

Mr. ABBOTT: The answer to that question is no.

Mr. HARKNESS: Then my second question does not apply; I was going to ask, when. If the answer to the question is no, then the information given to us by the minister last year and this year is misleading. It was stated that the matter was being given active consideration. I say it is misleading particularly in view of the statement on page 2918 of *Hansard,* which the minister read this afternoon, and which certainly gave me the impression that the government was prepared to adopt the principle.

Mr. ABBOTT: No; what I intended to convey, and what the minister intended to convey, was that the question was and still is under consideration. It is a difficult question, and if I must answer categorically the question whether the government adopted what my hon. friend refers to as the basic herd principle, I must answer him by saying no.

Mr. ZAPLITNY: I wish to support all that has been said about the matter of breeding herds. I appreciate what the minister says about the difficulty of working out the details in that regard. However, I have something here which I think is simple and easy to understand, and which will provide relief for farmers who raise live stock and live stock products. It has been sent to me by the cooperative live stock marketing association of Dauphin, an association which keeps me up to date on live stock matters. If I may I should like to read it for the consideration of the minister. It is as follows:

Whereas there has been a serious decline in the production of live stock and dairy products; and

Whereas Canada is in desperate need of these agricultural products to help feed the starving masses of Europe;

Therefore be it resolved that for the purpose of encouraging production of live stock and live stock products, amounts up to $1,000 gross income from the sale of live stock and live stock products be exempt from income tax.

It is based on a slightly different principle from that suggested in the discussion which has been going on, but there can be no question that it would be a simple and direct way to bring relief to those engaged in the live stock business.

Before I resume my seat I should like to refer to the mathematics which have been drawn up with regard to the five-year period. It is a fascinating subject, but I am afraid that the impression which was left by the Minister of Justice that this will mean a five-year average in the long run is not correct, at least, in my opinion it is not. I have

worked it out on paper, and as I understand it this is the way it would work out. At the end of 1948 you would take the three years, 1946, 1947 and 1948, but in 1949, at the end of the taxation year, you would take the years 1947, 1948 and 1949. In 1950 you would take the years 1948, 1949 and 1950; in 1951, you would take the years 1949, 1950 and 1951, and in 1952 the years 1950, 1951 and 1952. That takes in five years, and if you examine the figures you will find that in no year does one year occur more than three times. If it does not occur more than three times then automatically we must understand that the average is the three-year average. You could go on for a thousand years if you wanted to, but each year would occur only three times, and the average would be a three-year average. I think that should be clearly understood.

Mr. QUELCH: I had to be absent from the chamber and I do not know what took place in my absence. I should like to say that the suggestion to extend the period from three to five years for taxation purposes is a sound one. Every major farm organization has made submissions asking that this be done, which I think proves conclusively that the farmer believes it would be to his advantage.

There is another question that I should like to raise at this time; the hon. member for Bow River referred to it the other day. As the government knows, quota deliveries were established for the years 1941, 1942 and 1943. In 1944 the quotas were lifted, with the result that farmers were able to sell wheat which they had not been able to sell because of the quota in the years 1941, 1942 and 1943. A circular was sent around at that time and in addition was printed in the newspapers; I shall refer only to the first paragraph:

> Where grain raised in one year is carried over, due to quota restrictions but for no other reason, and is sold in subsequent years, the proceeds of such sale may be treated as—
>
> (1) income of the year in which the sale took place, or
>
> (2) income of the year in which the grain was raised.

Farmers acted on that declaration in good faith. However, it was cancelled in 1945, but in view of the fact that the circular was sent out, the farmers were under the impression that grain raised in 1941, 1942 or 1943 and held back because of the quota and then sold in 1944 could be changed back into the year in which it was grown. Further, I have a letter sent me the other day by a man in the small town of Morrin who had been filling out returns for farmers. This is what the letter said:

> I am herewith enclosing a letter received from the income tax department at Calgary, which is a vital issue regarding all farmers, as they were forced to hold this grain until 1944 from previous years owing to the quota set by the dominion government, also this is absolutely contrary to their promise of allowing the farmer to transfer his grain back to the year it was grown, and not have to include it in the year it was sold.
>
> They mention cash wheat in this letter. Now all grain sold in 1944 was practically cash grain, as the farmer collected his money as soon as delivered. Also mainly all grain is sold on this basis and not on an instalment plan. So I cannot see that this statement has any bearing in this case.

The letter the farmer had received from the department stated that this could no longer be done. Here is the letter from the inspector of income tax:

> Your letter of June 14 has been received, and in reply it may be stated that the reversion of cash wheat sales to apply in the year in which the wheat was grown is not allowable under provisions of the Income War Tax Act, where cash returns are filed.

I wonder if the minister could explain why, after issuing a statement such as I read, later they should refuse to allow the farmers to pay taxes on that basis. Certainly it does seem to be a breach of faith on the part of the government.

Mr. ABBOTT: I understand the answer to my hon. friend's question is that an incorrect ruling was given to one taxpayer and was circularized by that taxpayer.

Mr. QUELCH: Would the minister repeat that?

Mr. ABBOTT: I say an incorrect ruling was given to one taxpayer, and I understand it was circularized by that taxpayer. I am informed that is what happened.

Mr. QUELCH: This is not sent out by the taxpayer but by the government, and it refers to the Canadian wheat board producer certificates. This is not circularized by the taxpayer but by the department.

Mr. ABBOTT: I am sorry; I thought my hon. friend was referring to a letter. I wonder if I could have a look at the circular he mentions. Now that my hon. friend has given it to me I see it does not indicate who issued it, but perhaps if my hon. friend would let me have this I can look into it at the dinner recess and see if I can give him a more detailed explanation later.

Mr. FULTON: Following up the question asked by the hon. member for Calgary East and the reply thereto of the minister, which as I understand it was that the department does not accept the basic herd principle, let

me ask this question. Is the department of the view that if a farmer sells his herd of cattle, which has been operated as a going concern for perhaps ten years, the proceeds of every animal sold should be regarded as income? Is that the view of the department?

Mr. ABBOTT: I am advised that the answer to that question is yes, because the cost of each of the cattle raised has been treated as an expense by the taxpayer in previous years.

Mr. FULTON: Does the minister or the department not admit any similarity or parallel between allowing expenses for purchases and operation in this case and allowing depreciation before taxation and deductions for other capital outlays in other businesses?

Mr. ABBOTT: I thought I answered that question before by saying that the herd is part of the inventory of the taxpayer. If a trader or merchant increases his inventory out of earnings—well, I must confess I cannot see the parallel between depreciation of fixed assets and a herd of cattle, which is something that is growing from year to year.

Mr. FULTON: But the point is that it is not growing. If it is operated as a going concern it remains stationary from year to year. A basic herd might be two hundred; the average increase might be fifty, and it is the average increase which is sold, while the basic herd remains the same. The minister said they were purchased out of income. Suppose a man inherits a ranch from his father. He did not get it out of income; it came to him as a capital asset. The breeding herd was there; the thing was a going concern. Certainly it was not purchased out of income. Or take the case of a man going into the business. He leaves some other form of activity; he cashes in on his capital assets there, sells his business and acquires perhaps $50,000 which he puts into a ranch and a herd. That is not bought out of income; it is capital. Yet if he sells the herd two years later he is taxed on it—that is, according to the principle enunciated by the minister. If he went on the inventory basis he might be safe; but on the principle enunciated by the minister he would be taxed.

Mr. ABBOTT: I am afraid I am not competent to discuss details. Of course every taxpayer in that business is free to operate on an inventory basis. In my recollection this question has been discussed on the budget resolutions for the last two or three years. The same points, some of which may be very good, have been brought forward; and, as the minister said in his budget speech, the question is still being considered by the Department of National Revenue in consultation with the Department of Agriculture. Rightly or wrongly, they have not yet been able to find a solution, but they will continue to consult and I can assure my hon. friend that the points which he and others have made to-day will not be overlooked.

Mr. FULTON: May I just emphasize that this is done in the United States.

Mr. ABBOTT: We shall have a look at the United States practice and see.

Mr. ROSS (Souris): When the hon. member for Kamloops was speaking a while ago I believe the hon. member for Halifax asked what other business could be allowed an expense and a write-off, and then sell their equipment or whatever it was as capital. I think that is done in almost every business.

Mr. ISNOR: Which would increase their capital surplus.

Mr. ROSS (Souris): If a man sets up a manufacturing concern he is allowed to write off his equipment over a period of years. During the war it was three years; in other cases it is four or five years. Then if he sells that business and his equipment, he sells it as capital; there is no argument about that.

Mr. ABBOTT: If there is anything left to sell.

Mr. ROSS (Souris): Yes; and there generally is. I know where a farmer buys a new power tractor he is allowed to write it off over five years. If he is a good operator and keeps it in good shape, it may last considerably longer than that. One of the reasons given by the Minister of Finance for allowing the 12½ per cent increase in the prices of farm implements was that these used tractors were selling for more, at farm sales to-day, than they cost when new. That was the minister's own argument; yet the operator was permitted to depreciate them over five years, after which they were allowed as capital. I am prepared to admit that this is a difficult problem, to be quite fair about it, but I certainly do think some arrangement should be arrived at under which it would be acknowledged that a breeding herd is capital rather than inventory, as the acting minister says. If you put up a building you are allowed your depreciation; when you sell it it is acknowledged to be capital. About a year ago I understood that following consultation between the Department of Finance and the Department of Justice, based upon the recommendations of the federation of agriculture, some solution

was practically arrived at under which certain basic years were to be taken for the basic herd, as is done for this averaging period now. I should think you could have a basic year when a man had actually purchased his breeding stock, and develop it from that time on.

I am really quite serious about this matter. I believe the man who is raising live stock as his chief means of income should have his basic herd recognized by the department as capital. The whole trouble is a question of definition by the Department of Finance alone as to what should be considered inventory and what should be considered capital. Certainly, as the minister says this matter has been debated ever since I came here in 1940, and as I say, I understood some solution had been agreed upon by negotiation between the Department of Agriculture and the Department of Finance. I trust that may be so in fact before too long.

Mr. MACDONNELL (Muskoka-Ontario): May I make one comment on this, merely to reinforce what has been said by the hon. member for Souris? I do feel that this is a high priority question for the department. I believe I realize the difficulty, because I have had some acquaintance with a couple of cases where the matter was under consideration in a somewhat important way. What struck me—and this is not offered by way of criticism, or with any intent to criticize—was that so far as I could make out there was still a great lack of precision and definiteness in the method which was used. That was the impression I got from the two cases which came to my attention. I do suggest that this matter ought to be given high priority.

Mr. ABBOTT: As the hon. member realizes, one cause of difficulty is, to use his words, lack of appreciation in the method of accounting of taxpayers.

Mr. ISNOR: So as to correct an impression created by a statement by the hon. member for Souris with respect to depreciation, may I point out that the average commercial firm doing business sets up its balance sheet, its profit and loss statement. Further, it must show its assets and liabilities. From liabilities deducted from assets it will show its surplus. That must indicate each year, to the satisfaction of the income tax branch, what its earning power is. It is true there is an opportunity for the man in business to write off a certain depreciation. For a brick building it is 2½ per cent; for a wooden building 5 per cent, and for fixtures 10 per cent, covering a period of ten years. So far as I know, except in special cases during the period of the war, there is no such thing as a write-off of the entire amount in three years. I think hon members should understand that clearly. The largest amount in the average commercial business is 10 per cent on fixtures, whereas in respect of property it is 2½ per cent and 5 per cent. If an individual piece of machinery is purchased, that would be capital expenditure. There is no allowance made for expenditures in that connection. During the war, by order in council, those who had fuel oil equipment for heating their buildings were ordered to do away with that and to instal coal equipment. They were not permitted immediately to write off the cost of the coal equipment which they were obliged to put in in order to carry out the regulations.

Mr. ROSS (Souris): It could be depreciated over a number of years.

Mr. ISNOR: But not in anything like two or three years. That change did not go the full five years; it was something like two or three years. One had to take out the equipment and lay it aside, and he had less than thirty cents on the dollar on his investment. Thus there was a distinct loss to the average business man.

Mr. GRAYDON: You have no biological increases in your business.

Mr. ISNOR: In regard to merchandise, the market price was often used in connection with the increased price of goods. The minute one began to write down, an income tax inspector would check up very closely. I do say to the income tax branch officials, however, that in the change-over from oil to coal the branch should have been much more generous in the matter of depreciation.

Mr. PEARKES: I would underline the urgency of this matter, because it was only a few weeks ago that the hon. member for Stanstead drew attention to the large number of dairy cattle that were being exported. Depreciation in the herds results in part from the ceiling price on butter. The same condition exists in British Columbia, where dairy cattle are being sent out of the country, and where heifer calves are being killed off because of the ceiling price on butter. If breeding herds cannot be regarded as capital, it means that another handicap is added to the farmer.

Mr. HARKNESS: The matter of introducing depreciation into the question whether a basic herd is capital, or whether it is not just beclouds the issue. The simplest way to look at it is this. Two men, we will say, came to Alberta twenty-five years ago. Each of whom had $2,000. One bought 100 acres

of land at $20 an acre; the other bought 100 cows at $20 a head. Each man spent $2,000 of capital. Assuming that neither increased his holdings, twenty-five years later both are reasonably old men and wish to retire. Because of the appreciation in land values the man with 100 acres may sell at $100 an acre, and will have no income tax to pay on it. The man with the 100 cows will sell them at $100 each, along with the rest of his herd, and must pay an income tax on his return. If he sells the rest of his herd at the same time, it means that the total amount he receives in one year is large, and the tax rate is high. What actually happened was that most men of that kind increased their holdings. To return to the example I have mentioned, one would end up with a thousand acres of land and the other with a thousand head of breeding stock. As the amount increases, the injustice increases in ratio to the amount each man receives. I believe this example states the condition about as simply as it can be stated. The matter is most urgent, because large numbers of men want to retire, and if they do so they are at a disadvantage. They find that the herds they have built up over a lifetime are of no great advantage, because if in one year they sell out their herds, a large amount of their life savings is wiped out in income tax. This is an injustice against the cattle producer, who should not be at a disadvantage as compared with the grain farmer or anybody else. As I said earlier, instead of simply considering the matter the government should forthwith make a definite decision.

Mr. CHURCH: This provision dealing with earned income was extended a few years ago to farmers and fishermen. In my opinion there should be equality of the general principles of taxation among all classes of our population. I remember when the principle behind this resolution was introduced, whereby farmers and fishermen could take an average. That principle of taxation had its beginning in what was known as the Farmers' Creditors Arrangement Act, introduced by my former leader for farmers and extended afterwards to fishermen. I pointed out at that time that if the principle of that legislation was extended to fishermen it should also be extended to industrial workers who might have jobs to-day but not to-morrow, especially in depression years such as we had in the thirties. The time has come when the whole system of taxation should be revised, because, as is well known, down to a year ago farmers and fishermen were practically exempt from income tax.

I can tell you this, that the time has come when income tax should be restored to where it was from 1867 down to 1917. At that time it was still the prerogative and function of the municipality. What has been the result? In 1917 Sir Thomas White said that for one year in order to finish the war there would be a federal duplicate income tax, but the government has held on to the whole principle ever since that date. The time is coming when the principle should be changed and income tax restored to the municipalities.

If you are going to permit by this resolution farmers and fishermen to divide up their income and average it over a number of years, 1946, 1947 and 1948, the same privilege should be extended to other classes in the community, to civil servants, industrial workers and white-collar workers who may not be sure of their jobs and who will not be sure of their jobs if the small business men are continually taxed to death. The tax has to be collected by somebody; but there should be equality of treatment, otherwise the principle is all wrong. It amounts now to confiscation of property. These small retailers and wholesalers cannot pay a tax of 22 per cent, 32 per cent, 42 per cent—the rate goes up every year. If we pass resolution 17, what are we going to do next year? You are actually suggesting a principle that will never be applied because you are going to have to change the whole thing as to what the fishermen and farmers will pay in 1947 and 1948.

Mr. IRVINE: I have had many letters from stockmen in the Cariboo objecting to the matter that is being discussed. If a merchant were to sell his stock and go out of business, would he have to pay income tax on the entire amount received?

Mr. ABBOTT: That is a question which I have attempted four or five times to answer this afternoon. As the law now stands, he would pay a tax on the entire proceeds of the sale on the ground that it is a sale of inventory. The discussion this afternoon has been instructive and informative. To some extent it is a repetition of the discussion which took place in previous years, but among other things it has served to bring out the great difficulty which is inherent to this question and which some of the hon. members who have spoken have admitted. I am advised that no longer than a week before the resolutions were brought in, a meeting took place between officials of the Department of Agriculture and the Department of Finance with the idea of still further working out the problem. I cannot add to what I have said

to-day and to what the minister said in his budget speech. The question has not yet been solved, but we have not given up hope.

Mr. IRVINE: In view of the fact that there is some shade of admission on the part of the minister that there is a real difficulty here and also that there is a sort of undercurrent of suggestion that possibly there is some measure of injustice to farmers who desire to sell off their stock, would it not be wise to hold up this particular method of taxation for this year? It would be better for the state to suffer a little loss than to impose what seems to me a serious loss upon the individual farmer or cattle man.

While I am on my feet may I say I recognize the improvement the government is making in respect to spreading the tax on farmers over a three-year period. However, I must confess that it is not as good as it might be. I understand that this afternoon we are discussing resolution 17 in the hope that the government will give it further consideration and possibly bring in, to-morrow or some other day, some modification of the present policy. If that is the understanding I do not think much good can be served by saying anything more on the matter.

I think all points have been pretty well brought out, but I wish to emphasize these two points. The man who wants to give up his cattle business and sells his stock should not be taxed on the entire amount he receives. Next, taxation on farmers generally should be spread over a five-year period. I hope the Acting Minister of Finance will accede to the wishes of the committee and give this matter a little more consideration. If he does that I am hopeful that there will be some modification in connection with these two points.

Mr. HARKNESS: The minister said a few minutes ago that a discussion had been going on between officials of the Department of Agriculture and the Department of Finance in connection with this question of basic herds.

Mr. ABBOTT: With the Department of National Revenue.

Mr. HARKNESS: I suggest to the acting minister and to the government that before any more conferences are held the government make up its mind whether it is going to adopt the principle. If the government accepts the principle that a basic herd is capital, then I suggest that there will not be a great deal of difficulty in working out some practical means of putting it into effect.

[Mr. Abbott.]

Mr. ABBOTT: The stock breeder's herd would be built up out of income. It would be very simple if we accepted initially the herds as they exist to-day, but I think that would be unfair to other taxpayers.

Mr. HARKNESS: Certain breeding herds were built up out of income, but largely at times when the income tax was not applied so heavily. That is why the matter has become so important. The income tax is now quite high and something should be done about the matter. When I used the illustration a little while ago of 100 cows and 100 acres of land I had hopes that when I sat down the minister would either agree or disagree that the cows were capital. I should like to have his view on that matter.

Mr. ABBOTT: That is a difficult hypothetical question. Of course, from one point of view they could be considered as capital. My hon. friend went back a long way and cited the case of a man who bought 100 cows and the other man who bought 100 acres of land. I presume the man who bought the 100 cows has lived off the fruits of those cows ever since, but my hon. friend did not indicate what the man who bought 100 acres of land has been living on. The question is not very simple. The matter of dispersal sales is not directly involved in this resolution, but I think it was proper to discuss it and I so indicated. In my memory this subject has been discussed for the last four or five years. As I said a moment ago, the discussion has been very full and most informative. It has been carried on by hon. members who have personal knowledge of what they are speaking about, and may I say at once that I do not include myself in that group because I have had very little experience with breeding herds, although some years ago I did learn how to milk a cow. I do not know that much more can be added to what I have already said. The government will continue to give the most careful consideration to the representations which have been put forward and will carry on with their efforts to see if some acceptable solution can be found for this admittedly difficult problem.

Mr. LENNARD: I bought a farm a year ago, and two months afterwards I was offered twenty-five per cent more than I paid for it. I did not sell it because I did not buy it for that purpose. But if I had I would have gained because I would not have been taxed for it. If I had bought cattle and sold them I would have been taxed.

Mr. McCANN: Are you in the farming business or in real estate?

Mr. LENNARD: In the farming business.

Mr. WARREN: I am not sure that this angle has been fully considered. Suppose a farmer has been building up over a number of years a dairy herd and eventually finds himself in a position where he has to change his methods of farming. Perhaps he is not able to go on milking cows because of lack of help or for some other reason, so that he sells his herd and pastures cattle on his land. Surely in a case of that kind his herd ought to be considered as capital. He has to use the money he got for his herd to buy cattle to put on his pasture. To me it does not seem right that the farmer should be taxed on everything he gets from the dispersal of his dairy herd.

Mr. WHITE (Hastings-Peterborough): The minister has the Minister of National Revenue beside him and the deputy minister. I would ask him two questions about this blue form which the farmer has to use in making his income tax return. First, would the minister please explain how the income tax department computes the amount to be inserted in the form for produce raised on the farm and consumed on the farm? Second, would the minister explain why sales of wood, stone, lumber, trees, sand and soil off a farm are regarded as income? That comes under the heading of miscellaneous sales.

Mr. McCANN: The farmer himself in making his return usually computes the value of the produce raised and consumed on the farm. With regard to the sale of gravel, sand or any other commodity from the farm, he puts that down as income when making his return. It is a source of revenue to the farm and as such is returnable as income.

Mr. WHITE (Hastings-Peterborough): Surely the minister does not pretend that once a sand or gravel pit on the farm is exhausted the farmer could grow another one. A contractor will come in and take perhaps 20,000 yards of gravel from the pit and then the pit may be exhausted. I do not think that could be classed as income.

Mr. ABBOTT: In that case we are out of farming and into mining.

Mr. WHITE (Hastings-Peterborough): No. The sales have to be entered on this special form for the farmer. I am sure the minister will not contend that soil or sand or gravel sold off a farm should be classed as income.

Mr. HACKETT: He is allowed depletion for it.

Mr. ABBOTT: My remark about out of farming and into mining was semi-facetious. The farmer must account for the gravel sold as part of his gross income; but, as the hon. member for Stanstead has pointed out, he can claim depletion, and if the depletion operates in the ordinary way he will in due course write off the entire value of his gravel or sand pit and pay no more tax with respect to it.

Mr. WHITE (Hastings-Peterborough): I do not regard as satisfactory the answer of the Minister of National Revenue as to the value to be inserted in the form of the produce raised and consumed on the farm. My experience has been that the local inspector tells the farmer what he has to put down there, so much for the farmer, his wife and one child, let us say. Is that correct, or is it left to the farmer to compute the amount of produce consumed by him and his family at, say $100? My experience is that that is not accepted by the inspector, who says: We will put down $300 for that. And that is what the farmer has to pay. Has the farmer the right to say how much it is and put that down on his return?

Mr. McCANN: The farmer is supposed to make his own return. If we find that his return is not in keeping with the average return made by other farmers in that district, the department can raise the amount put down for that item.

Mr. WHITE (Hastings-Peterborough): What is the average amount inserted for that item in an average farming community where they are carrying on mixed farming?

Mr. McCANN: One cannot say that a certain figure would be constant for all communities. The figure used in the particular instance my hon. friend mentions would be the figure which is generally given and accepted in a return from that district.

Mr. WHITE (Hastings-Peterborough): What figure does the minister refer to, $100 or $150?

Mr. McCANN: Did not the hon. member mention $300 for three people?

Mr. WHITE (Hastings-Peterborough): No; I said $150. If the minister contends that his department charges $150 for the produce raised and consumed on the farm he does not know very much about how the farmer lives to-day. Why charge up eggs, milk, butter or anything like that when there are hundreds of people who keep the odd cow or a few chickens, and they do not have to account for what they raise in that way? To-day practically all that a farmer buys in the way of food is meat, and if you charge him $100 for that, that is far too much. I say that the

arbitrary attitude adopted by the local inspectors is hardly consistent with the remarks of the minister.

Mr. ROSS (Souris): I am sure there is no place on that form for the farmer to make a claim for depletion. I have a splendid wood lot on my farm and a gravel pit at the other end. Anything I receive from the wood or gravel sold has to be shown as income, and there is no place on the form for claiming depletion. If I sold the whole farm, including the wood lot and the gravel pit, the whole would show as capital, but the wood or gravel I sell has to be shown as income.

Mr. ABBOTT: Technically the question of wood is a little difficult. Strictly speaking, I think a man would be allowed to deduct depletion for wood sold from off his farm, and I am positive that he would be able to claim depletion on gravel sold from his gravel pit. As the hon. member for Stanstead has said, the farmer can claim depletion. I am not familiar with the particular form the farmer uses and do not know whether it contains a space for that, nevertheless the farmer is entitled to claim depletion.

Mr. HACKETT: In the study that has been made of this problem, has what is being done in other agricultural countries been considered? For instance, I understand that in Norway and Sweden the timber cut is considered as a crop. It is not an annual crop but is cut periodically and constitutes revenue. In those countries, is it charged up as income to the farmer? In great farming countries like the United States, have they found a solution for this particularly involved and annoying problem?

Mr. ABBOTT: I cannot answer my hon. friend from personal knowledge. The officials of the Department of Finance especially charged with the investigation of these tax questions have the taxing systems of all other countries under constant review. As the committee knows, the farming community as a class are not large income tax payers and have not been in the past. Until very recent years, only a limited number was taxable or at any rate filed returns. The problem has perhaps become more acute in recent years because of the greater number of farmers who are in the income tax category. However, I will see that the point my hon. friend has raised is taken into consideration. This section, as he appreciates, does not directly involve the basis on which farmers are taxed. It has to do merely with the question of averaging, but under this head, we have been having a general discussion of taxation of farmers, which is probably in order.

[Mr. G. S. White.]

Mr. HACKETT: It has raised a great deal of unrest—possibly that is too sweeping a term—or at any rate considerable anxiety among farmers. I do not wish to intimate that great numbers have asked me about it, but several have done so. Last week I received a letter from a gentleman stating that the only crop he raised on his farm that did not seem so far to be subject to taxation—and he thanked God that it was a bountiful one—was children. He asked me what provision had been made about the taxation of the proceeds of the sale of herds. I submit to the minister that a definite statement on the subject should be made as early as possible because at the present time, there are a great many uncertainties in the life of a farming community, and this new one is a problem which is creating considerable anxiety and curiosity. A definite statement of policy should be made at as early a date as possible.

Mr. McMASTER: As a city resident, I think city people would be quite content if a great deal of leniency were exercised in charging to the farmer what he uses from the farm. If you carried the principle to the extreme limit, I would say that as a professional man, if I did certain work in my own home I would be saving money and should be charged for it, or if I raised some chickens and used the products of those chickens I should be charged. I suggest that the unrest and bad feeling caused by these little charges against the farmers, who work long hours and need a certain amount of protection, far outweighs any benefit that is derived. You have only to look at the returns from the farmers to realize that you do not get anything valuable, while these charges cause unrest.

Mr. FAIR: I had a letter from my wife this afternoon—

An hon. MEMBER: Good.

Some hon. MEMBERS: Hear, hear.

Mr. KNOWLES: Put it on the record.

Mr. FAIR: I am glad that my hon. friends appreciate my getting a letter as well as I do myself. I would put part of it on the record, but it would not make them any happier than it makes me. My wife tells me that on Monday morning there was quite a sheet of ice on the water tank, which is quite close to the garden. That means that the garden is gone and we shall have to go and buy what we need. I am wondering what income tax we shall have to pay this year in respect of the value of that.

Mr. ABBOTT: Not much, I should think.

Mr. FAIR: We have had several discussions in the house about the returns that farmers receive. The farmer's wife and his family look after the garden and receive no wages. His family get no consideration whatever for their labour, and what the farmer uses out of the garden should not be taken into consideration in making up income tax returns. Is there any justification in the world for taking account of the potatoes and other vegetables used out of the garden? If there is, then I suggest that the minister and his colleagues should grow stub beards and have the hammer and sickle flag over their desks, because there is no reason why these things should be confiscated from the farmers. Part of the farmer's income is confiscated in the form of the prices he receives—or does not receive—for what he sells and it is time we got down to common sense in dealing with these matters.

Mr. CARDIFF: How long does the department feel justified in holding taxes that have been overpaid?

Mr. McCANN: The refunds are made as quickly as possible.

Mr. CARDIFF: The case to which I have reference goes back to 1943 and the money has not yet been paid back. I do not know how many hundreds of thousands of cases there are—

Mr. McCANN: It does not run into hundreds of thousands. The complaints with reference to refunds are very few, and if the hon. gentleman will bring that particular case to my attention I will have it looked into immediately.

Mr. MATTHEWS (Brandon): There is one observation which I should like to make in a spirit of fairness, and it might as well be made under this heading as any other. Several months ago I received, as other members probably received, a great many complaints as to the demeanour of local inspectors checking up on farm returns. I received a few letters that incensed me a good deal, so much so that I prepared a questionnaire and sent out fifty-five copies to various persons, not all in my constituency, inquiring as to what grounds there were for these complaints. Most of them replied, and I wish to report in a word or two the gist of the replies. About half of them praised the attitude of the assessors; about a quarter of them said they had no complaints at all to make; only one man complained, and he complained bitterly. I knew that man; in fact I had known him for years. I knew also the inspector who made the inspection. They are both very fine men and I regretted that there was any feeling between two men of that type. I believe they came together at a time when they were both considerably irritated about other matters and there was a bit of explosion. Apart from that individual case, I had not one complaint of the attitude of these assessors. Had there been many, I would have expressed myself fairly critically on the floor of the house, and I would have had a right to. But since there is only one, I thought, as I said in the beginning, that as a matter of fairness I should report to the Minister of National Revenue and to the committee the calibre of the men so far as I have been able to learn who were in my constituency and near it, and I have much pleasure in doing so at this time.

Mr. ZAPLITNY: A little while ago the minister said he was sure that a depletion allowance was available, but I do not think he replied to the question as to what space there is on the form for applying for such allowance. Probably the Minister of National Revenue can answer that question, which is an important one. It has to do with woodlots and gravel pits.

Mr. ABBOTT: I do not know about woodlots. There may be no place on the form—I have not the form before me—but the deputy minister tells me the rate is small, about a cent on a ton of gravel. The point I am making is that the taxpayer is entitled to claim depletion. As I say, the amount received is very small but the depletion can be claimed.

Mr. ZAPLITNY: That does not answer the question I asked.

Mr. ABBOTT: Let me answer it this way. There may be no place on the form—I shall have to have the form looked up to see—but even if there is not a place, the taxpayer is still entitled to claim depletion. It may not be worth his while to do so, but he is entitled under law to claim it.

Mr. ZAPLITNY: Is there such a form? Can the Minister of National Revenue tell us what the form is? I imagine it would be in his department.

Mr. ABBOTT: I do not know what kind of form my hon. friend means. There does not have to be any special form for claiming depletion. There may be a place on the regular income tax form in which it is indicated to the taxpayer that he may claim depletion. Nevertheless it does not have to be on the form as a matter of law, and it is perfectly open to the taxpayer to claim that

depletion and to claim it at any place on the form. He can put it under the heading of "other deductions." The deputy minister informs me that there is a place on the form for other deductions; it could be put under that.

Mr. ZAPLITNY: That is the answer I was seeking.

Resolution stands.

18. That for the 1946 and subsequent taxation years, the service pay and allowances, other than travelling allowances or separation allowances in place of travelling allowances, of a member of the permanent Canadian naval, military or air forces paid at the new rates of pay and allowances established for the said permanent forces be taxable income of a member irrespective of

(a) whether he is serving within or outside of Canada; or

(b) whether he receives the pay and allowances during the first six months after his return to Canada.

Mr. MACDONNELL (Muskoka-Ontario): May I ask the minister a question on resolution 18?

Mr. ABBOTT: I was going to give my usual preliminary statement.

Mr. MACDONNELL (Muskoka-Ontario): I was going to ask the question because it is inconsistent with that. Will the minister be good enough to let resolutions 18, 19 and 20 stand until this evening, because the hon. member for Vancouver South, who would like to speak on them, has to attend the committee on veterans affairs?

Mr. ABBOTT: I shall be glad to do that.

Resolutions 18, 19 and 20 stand.

21. That, where an elected member of a provincial legislature is, under an act of the provincial legislature, paid an allowance for expenses incidental to the discharge of his duties as a member, the allowance received in the 1946 or a subsequent taxation year be deemed, to the extent of not more than one-third of the aggregate of his normal sessional indemnity as a member and the said allowance, not to be salary or taxable as income.

Resolution 21 agreed to.

22. That where the author or joint author of a literary, dramatic, musical or artistic work on which he was engaged for a period of more than twelve months assigns the copyright therein wholly or partially and has in the 1946 or a subsequent taxation year received within one year of the assignment in consideration therefor an amount, the whole of which would otherwise be included in computing his income during the taxation year a specified part or parts of the consideration may, at his option, be attributed to his income during certain previous taxation years.

Mr. ABBOTT: Perhaps I had better make a brief explanation of this resolution. The legislation to be founded on this resolution is intended to afford relief to authors of literary, dramatic, musical or artistic works who receive in one year a sum of money for the sale of a work on which they have been engaged for more than twelve months. The amendment to the act will allow the taxpayer to elect to have the payment from such a sale taxed in the following manner: one, if the period in which he was engaged on the work exceeds twelve months but is less than twenty-four months, one-half the payment to be taxed in the year of receipt and one-half in the previous year. Second, if the period in which he was engaged on the work exceeds twenty-four months, one-third of the payment taxed in the year of receipt and one-third in each of the two previous years.

Mr. MACDONNELL (Muskoka-Ontario): That seems more specific than the delightfully vague language of the resolution, but I take it that it is not inconsistent with what is in the resolution. The resolution says:

. . . a specified part or parts of the consideration may, at his option, be attributed to his income during certain previous taxation years.

What the minister has read is making it more specific than this.

Mr. ABBOTT: That is correct. My hon. friend appreciates that these resolutions are invariably drawn in fairly general terms, and that the specific part is set out in the legislation. As a rule, the government indicates what it is intended the legislation should be, and that is what I have done.

Mr. MACDONNELL (Muskoka-Ontario): The only reason I commented is that I found the resolution drawn in such delightful vagueness.

Mr. ABBOTT: I shall pass on the hon. member's remarks to the draftsman.

Mr. MacNICOL: If the former member for Kootenay West were here I imagine that he would ask the question I will ask in his absence. Will the authors who receive returns for such writings as are protected by the performing right society, songs and so forth, pay on the dividends received from the performing right society?

Mr. ABBOTT: The answer is yes.

Mr. McMASTER: Is three years a fair period of time? I am almost afraid to bring in a similar case, but in England in the case of the sale of patents they are spread over a period of six years. I suppose it would all depend on what they receive.

Mr. ABBOTT: After consideration this was felt to be fair. As the committee will appreciate, it extends a substantial measure of relief to artists and authors.

Mr. MACDONNELL (Muskoka-Ontario): Has there been any representation from the association representing the authors, and does this meet their views?

Mr. ABBOTT: I am advised that representations have been made by the Canadian authors' association and that this does meet their views.

Resolution agreed to.

23. That the special rates provided for non-resident-owned investment corporations be reduced for the 1947 and subsequent taxation years from 22½ per cent to 15 per cent but that such corporations be taxable on all income received in Canada subject to deductions from the said income in respect of interest and dividends received from such other corporations and foreign taxes paid by the corporation.

Mr. JACKMAN: May I ask the minister a simple question? I do not think he needs to read his statement. Some of these companies do have fiscal years ending not with the fiscal year, and with the change in the legislation made applicable to the calendar year it would apply to only part of their fiscal year. It was changed some years ago to accord this equity. I think it would be acceptable if the minister would agree.

Mr. ABBOTT: I am advised that the present intention is that it should apply to fiscal years ending in the calendar year 1947.

Mr. JACKMAN: The minister says that it will apply to fiscal years ending in 1947. The relief granted here commences on January 1 of next year.

Mr. ABBOTT: That is correct.

Mr. JACKMAN: Therefore a company which had a year ending in September would go for nine months on the present schedule of rates; is that not right?

Mr. ABBOTT: No, it would get twelve months. I am not quite clear whether this will answer my hon. friend's question; but taking the case which he has cited, a company whose year ends on September 30 would file returns on September 30, 1946, and would pay on the present rate of twenty-two per cent. It would file its next return in September or October, 1947, for the full year ending September 30, 1947, and would pay for that twelve months' period, but it would be taxed at the rate indicated, fifteen per cent.

Mr. JACKMAN: I think this plea for equity—I may call it that—was granted some years ago, when another change was made in connection with these companies. I may say that I am not very familiar with them.

Therefore I am always willing to stand corrected. What is requested is that the new rate of taxation be made to apply to a company during the calendar year. The rate changes on December 31 of this year. I take it that if a company has its fiscal year ending at some other time in the calendar year it would pay the present rate until December 31, 1946. For that part of its fiscal year which is in the calendar year 1947, however, it would have the new rate applicable to that portion of its income. I think it should work both ways.

Mr. ABBOTT: It is a complicated situation, and perhaps it might assist if I were to read the brief explanation I have here, which covers, at any rate in part, the point my hon. friend has in mind.

The purpose of the proposed legislation is to simplify and place on a more equitable basis the tax applying to non-resident owned investment corporations. Incidental to the proposed changes, there may be very minor tax abatement, depending on the type of securities held in the portfolio of the investment company. That is because, under the law as it stands at present, in the case of Canadian dividends from Canadian companies the effective tax is 15 per cent. In the case of certain interest on interest-bearing securities, it is 22½ per cent. The possible change in the incidence of this tax is incidental to the overhauling of the section and has no important revenue significance. The provisions of the law are complicated, and unless members of the committee wish to go completely into the intricacies of this item I suggest it might stand until the bill is before the committee, when I shall be prepared to give a fuller explanation. As I say, those who are particularly interested in this type of company will be able to follow the proposed changes when the amendments to the Income War Tax Act are before the committee.

Mr. JACKMAN: I only asked the minister to see if he would agree that a company of this kind would not be discriminated against if it happened to have its fiscal year end at other than the end of the calendar year.

Mr. ABBOTT: I can agree that it will not be discriminated against.

Resolution agreed to.

24. That for the 1947 and subsequent taxation years investment corporations whose profits are now exempt from tax under paragraph (f) of section seven of the Excess Profits Tax Act, 1940, be exempt from tax upon income and

that such corporations that would be so exempt except that they have outstanding bonds, debentures or other securities evidencing bonded indebtedness pay tax upon income at one-half the rate for corporations.

Mr. ABBOTT: Perhaps I had better make a brief explanatory statement. This resolution deals with the tax position of investment corporations. For the purpose of tax treatment, investment corporations are divided into two groups; that is, those with funded indebtedness and those without funded indebtedness. The latter group, those without funded indebtedness, are at present exempt completely from the excess profits tax, and the present proposal is that they shall be exempt in future from corporation income tax. It is believed that investment trusts of the sort being considered represent in effect merely collective investment by individuals, and it is considered that the mere funnelling of income through the company to individuals should not bring on an extra tax. Provision is made, of course, that substantially all the income received by the investment trust must be distributed to the shareholders.

With regard to investment trusts which have funded indebtedness the situation is slightly different. In this case the corporation has issued fixed interest bearing securities to the public. The funds secured from the bondholders are then invested along with the funds received from the shareholders. It will be clear, I think, that any return obtained by the company in investing the funds received from the bondholders, in excess of the fixed rate of interest paid to the bondholders, goes to the equity holders. In this sense, then, the corporation can be said to have made a profit for the equity holders in addition to having invested their funds advantageously. It seems therefore, that a half rate rather than full exemption would be fair and reasonable in the case of this kind of investment trust.

Mr. KNOWLES: The only comment I have to offer is that when resolutions 12 to 16 are called the minister must not be surprised if we give back to him some of the things he is now saying. It seems to me the argument is used that here you have a collective effort which should not be penalized by taxation, and the same argument will be used with respect to cooperatives.

Mr. ABBOTT: I do not believe that principle applies here. However, if my hon. friend wishes to draw an analogy when we are on the other sections I would have no objection to his doing so.

Resolution agreed to.

[Mr. Abbott.]

25. That for taxation years ending after June 30, 1947, a corporation be permitted to deduct from income amounts paid to charitable organizations not exceeding 5 per cent of the income of the corporation subject to taxation without the limitation presently thereon.

Mr. ABBOTT: Under the present law the tax savings of a corporation making charitable donations is limited to 40 per cent in the case of any excess of its donations over a standard which is defined in the law and which I have always thought is complicated. That restriction was imposed when the 100 per cent excess profits tax was enforced; and with the lower rates proposed for 1947 it is deemed unnecessary to continue this limitation. It will be withdrawn in respect of companies with fiscal years ending after June 30, 1947, and the original provision under which charitable donations were allowed as a deduction up to five per cent of a corporation's income will be the only limitation imposed.

Mr. CHURCH: I am sure the department has received large numbers of letters from charities, hospitals and universities to which under this section corporations used to pay, re donations and aid to these charitable objects, so much a year over a period of three years, five years or in some cases ten years. Last session, when this matter was under discussion, I pointed out that, as a result of the change made, many universities, many hospitals and many charities looking after poor people, are suffering, and as a result some have refused to continue this work. Last year I read a letter to the Minister of Finance from Archbishop Seager, the head of a college in London, as well as letters from other universities, and I had hoped that some protection, or more than five per cent, might be given them by making payments under these contracts, because that is what they are, charitable grants free from taxation. During the war, these institutions were starved for new buildings, and in some of them the situation is difficult at the present time. The university of Toronto has some five thousand students out at Ajax. Because of the limited operation of the five per cent limitation some people have ceased to make these contributions. In my opinion, the government should consider the whole problem during the recess, if they cannot do anything now, because certainly some relief should be given. Perhaps the minister will be able to make a further statement later.

Mr. ABBOTT: As I indicated, the proposal here is to restore the provisions of the law as they were before the amendment of 1945, which, as I say, was made to meet special conditions arising out of the imposition of the 100 per cent excess profits tax.

Mr. KNOWLES: That is, the rates are no longer such that a corporation can save taxes by making these donations?

Mr. ABBOTT: That is right. We feel that the proportion of the corporation income which comes into its own coffers, if I might put it in that way, is sufficient to provide a real deterrent to unnecessary and extravagant donations.

Mr. McKAY: Is a corporation required to file receipts for charitable donations, as private individuals are?

Mr. ABBOTT: Yes.

Mr. CHURCH: I wonder if I could ask a question with regard to resolution 21?

Mr. ABBOTT: If the committee has no objection I have none.

Mr. CHURCH: I thank the minister and the committee for the courtesy; I happened to be out when the resolution was called. In many provinces the capital city has an income from taxes larger than the province and in two or three cases a turnover greater than the province in capital and maintenance from civic taxes. I noticed at a meeting of municipalities that there was a request that in respect of large municipalities some allowance should be made to bodies like boards of control in large cities. This was discussed by the municipal convention I have in mind, and I think it is a matter which the minister might consider in his next budget, namely, of an allowance, as in resolution 21 to provincial legislatures, to the larger municipalities.

Resolution agreed to.

26. That persons entitled to a payment out of an employee's superannuation or pension fund or plan, the investment income of which has been exempt from taxation by reason of an election for such exemption by the trustees or corporation administering the fund or plan, be allowed in the 1946 and subsequent taxation years as an alternative to the present deduction from the pension or superannuation payment, an amount computed on the basis of the amounts paid by the employee together with simple interest on such amounts at 3 per cent per annum.

Mr. ABBOTT: This is complicated, and I believe I should make an explanation. The effect of the legislation to be founded on this resolution is to offer an alternative method of determining the taxable portion of pensions received from funds, the income of which has been exempt from tax by reason of an election of the trustees of the fund. The section of the law which authorized this election was introduced in 1928 and was repealed in 1945.

During the period that a fund has been kept under this section, contributions made by the employee to the fund were not allowed as deductions from income, but the pension derived by the employee is subject to tax only in the proportion that contributions for which he was given deduction—that is, contributions made prior to 1928 or following 1945—bore to his total contribution to the fund. If all the contributions, for instance, were made between 1928 and 1945, then the pension is totally exempt. Or, to take another example, if one-fifth of the contributions were made before 1928 and one-fifth after 1945, and the other three-fifths between 1928 and 1945, then two-fifths of the pension would be taxable and three-fifths of the pension would be tax exempt.

Representations have been made that this formula took no account of the portion of the final pension which arose from interest accumulations on the employee's contribution to the fund. If, for example, interest accumulations were added to the contributions made during the 1928 to 1945 period, the portion of the final pension actually attributable to these contributions would be larger, and the tax exempt proportion would be correspondingly increased. The effect of adding interest accumulation is mixed, however, depending upon the period in which the greater proportionate amount of the contributions were made.

If the greater part of the contributions were made before 1928, since these contributions determine the taxable proportion of the pension the accumulation of interest on these contributions would give less favourable treatment than that now provided in the law.

On the other hand, if no contributions were made prior to 1928, a substantial proportion made in the period 1928 to 1945, and a lesser proportion made after 1945, the accumulation of interest would be more favourable than the present formula. Since the accumulation of interest is only of benefit under certain circumstances, it will be offered as an alternative which the taxpayer may take at his option.

The method now provided in law will be preserved, however, for pensioners who find it of greater benefit than the proposed alternative. In other words, this is another case where an option is being given to the taxpayer to take one of two alternatives, whichever may be the more favourable.

Mr. MACDONNELL (Muskoka-Ontario): This is some little alleviation of what it was felt last autumn would be a hardship. This,

as I understand it, is in no sense taking away any existing right, but purely an additional option.

Mr. ABBOTT: That is absolutely correct.

Mr. PEARKES: Would that apply to pensioners of the permanent force?

Mr. ABBOTT: They were contributory pensions, and I should think that contributions made would apply. However, I would not want to be held to that statement.

Mr. PEARKES: Can we have a definite answer?

Mr. ABBOTT: On second thought, I would question whether this would apply.

Mr. PEARKES: I will not press for an answer at this time.

Mr. ABBOTT: I shall be glad to look into the matter; but I do not think it would apply, because I do not think there is any possibility of election of the trustees.

Mr. MACDONNELL (Muskoka-Ontario): I should like to ask a question which may not be very intelligent, because I am not a good enough mathematician to figure it out. But I want to know this: Is it possible that a person might wish to opt for one of these, and later on circumstances might change so that he might wish to opt for the other. If so, does the election bind him permanently? I am speaking of resolution 26.

Mr. ABBOTT: I am told that it would not change, that he is able to decide at the time which option will continue to be more favourable.

Mr. KNOWLES: May I ask if the whole question of taxation of both payments into and payments out of pension funds, or deductions for amounts paid in and taxation on payments out, is still under consideration? Does this end the matter? It seems to me that there are other factors in addition to the varying interest rates which would have a bearing, and which would cause a taxpayer to elect one way or the other. There is also the question of rates of income tax in force at the time a person is paying into a pension fund as compared with what might be the rate when the person is receiving the pension.

It seems to me that this makes a strong case for still greater simplification of this whole question as to whether or not payments into superannuation funds should be exempt from taxation, and as to whether or not in the final analysis pension payments should be taxed at all, in either instance.

[Mr. Macdonnell.]

Mr. ABBOTT: As my hon. friend will recall, that whole question was considered by the Ives commission, and legislation was introduced last year following the recommendations of that commission. I had thought we were pretty well at the end of that road. However, that does not mean that there cannot be further improvement, if such is possible.

Resolution agreed to.

27. That the special provisions with regard to,
(a) payments out of a superannuation or pension fund plan upon the death, withdrawal or retirement from employment of an employee or former employee in full satisfaction of all his rights in the fund or plan,
(b) payments by an employer to an employee upon retirement in recognition of long service, and
(c) payments by a person to a former employee in respect of loss of office or employment be replaced by a provision for the taxation of amounts so received after June 27, 1946, at the option of the taxpayer either as income for the year in which he received the amounts or at a rate equal to the percentage which the tax upon the taxpayer's income during his last full year in the employment is that of income.

Mr. ABBOTT: The effect of the legislation to be based upon this resolution is to revise and make uniform the various provisions of the present law regarding the taxation of lump sum payments received from a superannuation or pension fund and from an employer on the occasion of retirement or loss of office. Under the existing law a lump sum payment from a superannuation or pension plan is taxable only to the extent of one-third, while lump sum payments on retirement or in respect of loss of office are taxable to the extent of one-fifth in the year of receipt and one-fifth in each of the following four years.

These provisions were introduced during the war to moderate the effect of very high tax rates when applied to a lump sum of money the whole of which is taxable income. In the case of payments out of a superannuation fund contributions to the fund would have been deductible when tax rates were much lower and the one-third rule had regard to this fact. In the meantime contributions have been deductible under high wartime tax rates, while lump sum payments out of the fund will be taxed at substantially reduced rates. It is proposed, therefore, to alter the provisions. All lump sum payments of the kind I have mentioned will be taxable at the option of the taxpayer either as income in the year of receipt or at a rate equal to the percentage which his total tax in the last full year of employment bears to his income in that year.

One alternative will be more favourable under certain circumstances than the other, depending upon the amount received in the

lump sum payment and the amount of the taxpayer's other income. The taxpayer will be allowed to elect which of the alternatives is to his greatest advantage. This amount will apply to lump sum payments received after June 27, 1946.

Mr. MACDONNELL (Muskoka-Ontario): Could we be given an illustration of a case where it might be more favourable to tax on a lump sum? It would have to be a very small lump sum, would it not?

Mr. ABBOTT: I think that is right. It would have to be a small lump sum and the taxpayer would have to have no other income.

Mr. MACDONNELL (Muskoka-Ontario): I am wondering if I understand what you mean by a lump sum. Am I correct in thinking that it means a single payment?

Mr. ABBOTT: A single payment.

Mr. MACDONNELL (Muskoka-Ontario): Is this a real option and are there cases where the lump sum option is taken?

Mr. ABBOTT: I am advised that there are cases and that there is a real option here.

Mr. McMASTER: What is the other case where it is added on?

Mr. JACKMAN: The ship must come in in the meantime.

Mr. ABBOTT: I will see if I can explain it a little bit. A man may receive a comparatively small lump sum out of a superannuation fund on retirement and not have any other income in that year because he does not get a job immediately. It would be better for him to elect to have that lump sum taken into income and taxed as such. On the other hand, if the lump sum payment were fairly substantial and he had other income in addition under those circumstances he has an option of not taking the lump sum payment into his income for that year but of having it taxed on this special basis as special income. That is, it would be taxed for income tax purposes in the year of receipt at a rate equal to the percentage which his total tax in the last full year of employment bears to his income in that same year. In other words, he can exercise an option and in effect divide his income into two parts, income which he receives from ordinary sources and this lump sum payment. He can have the lump sum payment taxed on this special basis which under those circumstances, would be more advantageous than to include it as part of his income for that year.

Mr. MACDONNELL (Muskoka-Ontario): If I understand correctly, the only case in which the first option could apply would be where the lump sum payment was less than the income received in the last year of employment.

Mr. ABBOTT: I think that is probably correct.

Mr. HACKETT: I have an idea that some discretion is exercised by the department when an amount is received as compensation for loss of employment. I think the minister has enough imagination to know what I am asking about.

Mr. ABBOTT: That is provided for in section 3, subsection 8 of the Income War Tax Act which reads:

> Where the minister is satisfied that a payment or payments made on or after the thirteenth day of October, nineteen hundred and forty-five by a person to a former employee is in respect of loss of office or employment, one-fifth only of the payment or the aggregate of the payments made in any year shall be deemed, for the purposes of this act, to be income of the taxpayer in the year it is received and one-fifth thereof shall be so deemed to be income of the taxpayer in each of the four succeeding years in which he is living.

That section is being amended by the legislation which will follow this resolution. As I indicated in my statement that was inserted in the law at a time when the war-time rate of taxation were so high that it was felt that that was equitable under the circumstances.

Mr. HACKETT: I wonder why an arbitrary rule of that kind was resorted to. I think it would be more equitable to take the life expectancy of the individual and divide the payment into the number of years of expectancy. A man ceases to be employed and is paid a certain sum in lieu of salary for all time. If his expectancy were found to be ten years, why would it not be better to give him an income of one-tenth the total payment for each of the remaining ten years of his life? It seems to me that the present amendment will discourage payments to people who have rendered useful service. These payments will be considered to be futile because such a substantial portion will be going to the tax collector. Frequently it will make the income for the year greater than the taxpayer has ever earned during his earning years.

Mr. ABBOTT: The proposed amendment will correct that. It was considered not only impracticable but most undesirable to take the life expectancy basis. Payments for loss of office cover men of a variety of ages, from the very young to the quite elderly, and they vary

greatly in amount. A man who has a contract with an employer may have his contract terminated and be paid a certain sum of money as compensation. I do not think it would be proper to treat that as an annual payment to him for the rest of his life, based on his life expectancy. I think by and large the rule which was adopted under the section which I read of averaging it over five annual periods was about as close as one could come to a correct solution. Taking into account the fact that wartime rates of taxation were then high and that we are now coming into a period of reduced taxation, it is considered that the proposed rule provided for in this resolution is more equitable.

Mr. HACKETT: Would it not be better to wait until we get into the period of reduced taxation? I appreciate that there will be a reduction of sixteen per cent in income tax in 1946, but the tax is still a very burdensome one. It might easily mean that twenty-five or thirty per cent of the contribution which the employer wishes to make for the comfort and well-being of a faithful employee would go to the tax gatherer. It seems to me that that is unduly harsh, because in most cases the earning power of the individual has been terminated when these benefits accrue to him.

Mr. MACDONNELL (Muskoka Ontario): I take it that these payments in resolution 27 are in cases where a man on leaving gets one lump sum?

Mr. ABBOTT: Right.

Mr. MACDONNELL (Muskoka-Ontario): Of course, as the hon. member for Stanstead has pointed out, it is very unfortunate that the benefit should come in that way; it is not as good as a pension arrangement. Nothing is done, I take it, by way of anticipation to take care of the taxing situation such as is done in a pension plan. Is that true?

Mr. ABBOTT: I am advised that in a superannuation fund exemptions have been allowed to the taxpayer for the contributions he had made.

Mr. MACDONNELL (Muskoka-Ontario): I come now to a matter of wording. The resolution says that the special provisions with regard to these payments shall:

> . . . be replaced by a provision for the taxation of amounts so received after June 27, 1946, at the option of the taxpayer either as income for the year in which he received the amounts—

What amounts are those? We have been talking about one amount.

[Mr. Abbott.]

Mr. ABBOTT: It probably should be in the singular. The resolution, as my hon. friend will notice, is drawn to cover three types of payments, payments out of a superannuation or pension fund, and payments by an employer to an employee upon retirement or loss of office, being payments of a lump sum but of a different nature. That may account for the use of the plural in the last paragraph. We shall be careful in the wording of the legislation.

Mr. MACDONNELL (Muskoka-Ontario): The minister does not think we can successfully suggest that it is intended to refer to a series of amounts?

Mr. ABBOTT: I do not think so.

Mr. McMASTER: We spent some time last year in fixing this at five years to overcome the effect of the option, and now we are going back to the same old provision as before. Could it be that the present provision has been taken advantage of, or what is the reason?

Mr. ABBOTT: This will not affect pending cases.

Mr. McMASTER: I do not know whether there are any. I am wondering why, after changing to the five-year period, we are now going back to the earlier provision. We are reversing what we did last year.

Mr. ABBOTT: We are entering on a period of reducing rather than increasing taxation.

Mr. McMASTER: That is an optimistic statement but hardly justifies this reduction from five years to one year. I am wondering if the existing clause has been taken advantage of to evade taxation?

Mr. ABBOTT: No.

Mr. JACKMAN: Why is the administration not willing to accept what seems the most logical principle, namely, life expectancy? Or, if that it too complicated, why do they not give ten years or a stated number of years during which to write-off the gratuity or superannuation payment? We have had this matter up in previous years. It creates a great hardship when the whole amount is taxed in the year in which it is received. So that last year we made it five years, and I was hoping that now we would make it ten years. While there is an option in the proposed change, it seems to me that it will work a greater tax on the individual than the existing provision, which provides for a five-year spread of the capital payment. It is quite possible, indeed almost inevitable, that

the tax on the capital sum at the rate of the man's last year of annual earnings will be at a great deal higher rate than the yearly spread over the next five years, and certainly over the next ten years. In other words, the man is retired and he has not much income in the great majority of cases that we are considering, and you are taxing him at higher rates than the ordinary individual who gets the same amount of money. When employers are trying to do the right thing by their employees by giving them a capital sum on leaving their service, the state should not step in and take away a little more than it takes from another individual who is getting the same amount of money. That is why I believe that life expectancy is the proper principle. If that is too complicated to work out, perhaps a ten-year period should be granted.

Mr. HACKETT: Why would it be too complicated?

Mr. ABBOTT: I do not take the stand that it would be too complicated. I think it would be unfair to the general mass of taxpayers. Let me give an example. The employer gives his employee a lump sum on leaving his employ. The employer has no pension fund and so he gives his employee the equivalent, we will say, of six months' salary when he retires, $2,000 or $2,500 or something of that sort. That is a gratuity. It is income within the meaning of the act. But under the provisions of the existing law that could be spread over five years because the tax rates were then high. Under the proposed amendment an option is given to the taxpayer. He can either take it as income for the year in which it is received and pay the tax on it at whatever the rates may be, or he may exclude it from his income if he has other income and have it taxed at a rate equal to the percentage which the tax upon the taxpayer's total income during his last full year of employment bore to his income in that year.

Mr. HACKETT: I understand quite well what the minister has said, but I am baffled a little by the basis he gives for his decision, that of fairness. I am sure it will be conceded that in the great majority of cases the man's usefulness as an earning and competitive entity is at an end. So why should we take any other basis for computing the gratuity than the number of years which he is going to live? He is getting that total amount in lieu of annual earnings for the rest of his life.

Mr. ABBOTT: Not necessarily. These payments may have no particular relation to future earning power. His employer may retire him at sixty. He is still active, and he retires with a lump sum because his employer does not have a pension fund. Then, being still active, he gets another position or earns money in other ways. His earning power is far from over. This provides that the payment does not have to be included in income for the year in which it is paid. I think that is fair. It may apply to any man from twenty-five to seventy-five years of age.

Mr. HACKETT: I admit that there may be exceptions, but cannot we agree that in most cases these lump sum payments are made to men who, in the appreciation of their employers, have reached the termination of their earning power? I am sure that if the minister goes over a very short category of his own acquaintances he will recall the names of many men who, while still active and in good health, cannot go out and get jobs. They were able to during the war because there was a great shortage of men. But the fact remains that in normal times the ordinary man whose services are dispensed with, whether it be by an insurance company, a brokerage house or an industrial concern, has reached the end of his competitive usefulness.

Mr. ABBOTT: A payment of this kind is not supposed to keep a man all his life. It is the equivalent of a few months' salary, a gratuity on retirement. It is not intended to keep him for the rest of his life; otherwise the equity as between different recipients would provide no connection at all. It would depend on age. A young man would have a big edge on the older man.

Mr. McMASTER: If he got $10,000 in one year and paid $3,500 income tax, and got $10,000 gratuities, he would pay $3,500 on the same basis. Perhaps when we get an example we can understand it.

Resolution agreed to.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

Mr. ABBOTT: I believe, Mr. Chairman, that section 27 was carried at six o'clock. We might now revert to sections 18, 19 and 20, which were held in suspense.

18. That for the 1946 and subsequent taxation years, the service pay and allowances, other than travelling allowances or separation allowances in place of travelling allowances, of a member of the permanent Canadian naval, military or air forces paid at the new rates of pay and allowances established for the said permanent forces be taxable income of a member irrespective of

(a) whether he is serving within or outside of Canada; or

(b) whether he receives the pay and allowances during the first six months after his return to Canada.

19. That for the 1947 and subsequent taxation years the pay and allowances of a member of the non-permanent Canadian naval, military or air forces other than the pay and allowances received by a member serving outside of the western hemisphere or within six months of his return thereto be taxable income of the said member and that the provisions for

(a) a tax credit in respect of pay and allowances exceeding $1,600 as provided by rule 2 of section 3 of paragraph A of the first schedule; and for

(b) taxation of a member serving outside of Canada in the western hemisphere at one-half the effective rate of tax applicable to his total income

be repealed.

20. That the exemption of amounts received by members of the merchant marine as war risk bonuses in respect of service in a war risk zone and of the value of board and lodging received on shipboard, while performing service in respect of which such bonuses are payable be repealed for 1947 and subsequent taxation years.

Mr. ABBOTT: I might make the usual preliminary statement with reference to section 18 and the two following sections. These resolutions withdraw for the most part, from January 1, 1947, the special tax exemptions now granted members of the armed forces and the merchant marine. The present position regarding taxation of the armed forces may be summarized briefly as follows: 1. All personnel overseas are now entirely tax exempt. 2. Personnel in Canada are tax exempt on pay and allowance up to $1,600 a year if single and to higher amounts if married. As pay and allowances exceed these exempt amounts, they are made subject only gradually to the civilian tax rates through the operation of a diminishing tax credit. 3. Personnel in the western hemisphere but outside Canada pay only one-half the tax payable by forces stationed in Canada. 4. Pay and allowances of a member of the armed forces who returns from overseas and remains in the services are exempt for a period of six months. 5. Subsistence allowances up to $1.70 a day and travelling allowances are also exempt from tax under the present law.

The effect of the proposed change will be to make all permanent force personnel subject to ordinary income tax on their pay and allowances at the new permanent force rates, whether in Canada or overseas, commencing from the inauguration of the new rates of pay in 1946, which will probably be somewhere about September or October. All other service personnel in Canada and in the western hemisphere outside Canada will be subject to full civilian tax from the beginning of 1947, while the overseas exemption will be continued only for the non-permanent force, a group rapidly diminishing in numbers. Exemption for six months after return to Canada will not be applicable to personnel receiving the new permanent force pay prior to their return to Canada, and the exemption now given for subsistence allowance up to $1.70 a day will be repealed from the beginning of 1947. All other allowances paid under the new permanent force rates will be taxable income with the exception of separation allowances paid in place of travelling allowances. The latter are now exempt under the law and will continue to be exempt. In keeping with this revision of the income tax as it applies to the armed services, resolution 20 provides for repeal, effective in 1947, of the special exemption granted the merchant marine in respect of war risk bonus and the value of board and lodging.

Mr. GREEN: May I ask two questions in connection with that statement? Am I to understand that from the time the permanent rates of pay come into effect there will be no such thing as income tax exemption for any of the men in the permanent force?

Mr. ABBOTT: In respect of these rates of pay; that is correct.

Mr. GREEN: What about the men who will not be in the permanent force but will still be on service? Are they to lose the exemptions they have at the present time?

Mr. ABBOTT: The position there will be this. All the overseas personnel other than the permanent force will continue to enjoy the exemption which is now granted them under the law. In other words, we shall observe our contract in that respect. Interim force personnel who are over there were given an assurance when they joined the interim force that there would be no change in their tax status during the two-year period, which will expire September 30, 1947. That will be respected. In the case of men who apply for entry into the permanent force and are accepted for that force, and who receive the new rates of pay provided for that force, they are looked upon as having entered a permanent post-war career and should be subject to the ordinary rules with respect to the payment of tax. Broadly speaking, it was felt that from January 1, 1947, the special wartime exemptions from income tax for overseas service, or qualified exemption for service in Canada, should be discontinued, and it should be considered that from that day on, those serving in the armed forces

would be serving like those in other occupations and there should be no special income tax exemptions.

Mr. GREEN: Apparently there will be some serving in Canada and elsewhere, in the western hemisphere, after the first of January. In other words, for them war service has not yet ended. Why deprive them of their present exemption? I presume they will be all out of the forces by the end of 1947. Why should that exemption not carry on while they are in the forces? They are required, apparently, to perform certain duties in connection with the cleaning up of the aftermath of war. Why not continue to them the exemption they now enjoy?

Mr. ABBOTT: I do not contemplate that after January 1, 1947 there will be anyone in the forces, either in Canada or overseas, who is not a member of either the permanent force or the interim force. If there are such persons overseas they will continue to enjoy the income tax exemption which is now provided, whether they are interim force or hostilities-only personnel. Should there be cases of hostilities-only personnel who are still retained in the service after January 1, 1947—

Mr. GREEN: In Canada or in the western hemisphere?

Mr. ABBOTT: There are none except in Canada now; we have them away from all other parts of the western hemisphere. Under the legislation as it is proposed, they would lose the qualified income tax exemption which now exists. But I frankly do not anticipate that there will be any of that class. If there are, and there is any hardship, we shall be prepared to consider it on a special basis, but I do not anticipate that there will be any in the armed forces after January 1, 1947, who will be deprived of any benefit they now enjoy. The position will be preserved for those who enlisted in the interim force on the understanding that their tax position would not be changed during the period of enlistment and who had the option of serving for that period, or of applying to go into the permanent force.

Mr. GREEN: Perhaps when the minister is going over the bill he will insert something to protect the men who enlisted, who are on what is called hostilities service; is that it?

Mr. ABBOTT: Hostilities-only. I use that phrase because it is convenient.

Mr. GREEN: Hostilities-only service. The minister says now that he does not think there will be any of them, and therefore there will not be any tax. But just in case there are some I suggest that the section be drawn accordingly.

Mr. ABBOTT: I shall be glad to give consideration to that when the bill comes before the house. I can point out that rare cases of that kind can be dealt with by remissions under the Consolidated Revenue and Audit Act, but I shall give consideration to my hon. friend's point.

Mr. GREEN: Has any consideration been given to the policy in the future in the event that Canadian forces should be serving outside Canada. For example, if Canada is required to supply some units of the air force or of the army under agreement with the united nations and they have to go abroad either across the Atlantic or across the Pacific, is it the policy of the government that they will receive no consideration by way of tax exemptions?

Mr. ABBOTT: I can give my hon. friend only my personal opinion. No consideration has been given to the matter by the government, but my personal opinion is this, and it has always been this, that there should be no special income tax exemption for those serving in the armed forces. There is none in the British force. This is only my own personal opinion, but I believe that there should be no income tax exemptions for those serving in the armed forces.

Mr. GREEN: Is the minister against granting income tax exemptions such as those that were granted in the last war?

Mr. ABBOTT: I had no opportunity of exercising any views in regard to the exemptions, but since my hon. friend has asked me the question directly I would say, yes. I believe that the system which is followed in the British army is correct, and that there should be no special income tax exemption. I grant that every consideration should be given to those in the armed forces, but it should be by means of the pay scale and not by income tax exemption. That is my personal belief. Since my hon. friend has asked me the question as to what the policy will be in the future, I must say that I cannot say what it will be, but in so far as my own views would have any weight I would urge that the British system be followed and that we not have an income tax exemption.

Mr. GREEN: There is one other question that I should like to raise on this resolution, namely, the taxation of men in the auxiliary services and the corps of fire-fighters who served during the war. Probably some of them are still serving. On the 23rd of July

a recommendation was made to the house by the special committee on veterans affairs which reads as follows:

That the supervisors of the auxiliary services and fire-fighters of the corps of Canadian Fire Fighters dispatched overseas, and members of the Canadian Red Cross Society and the St. John ambulance brigade who served in an actual theatre of war, be accorded all benefits, pensions, rehabilitation rights and income tax exemption as members of the armed forces.

Unfortunately the men of the auxiliary services and perhaps the men of the fire-fighters—I am not sure what percentage they were exempt, but in any event the men of the auxiliary services were allowed only a one-fifth exemption.

Mr. ABBOTT: That is correct.

Mr. GREEN: In previous years we pointed out to the government the inequity of the arrangement, and I suggest that this is the time to remedy the situation. The income tax payments which have been taken from these men should be refunded to them. As an example, take the men in the auxiliary services. They included the men in the legion war services—

Mr. ABBOTT: The Y.M.C.A.

Mr. GREEN: The Knights of Columbus, the Y.M.C.A., and the Salvation Army. The men from these forces served with the troops. In Hong Kong the only two men in the whole force who had to pay income tax were the Y.M.C.A. man and the Knights of Columbus man. They came back to Canada and found that they owed the government several hundred dollars. I think it ran over $1,000 or perhaps into the thousands for income tax—

Mr. ABBOTT: They must have had a big income.

Mr. GREEN: —and these amounts were taken from them. That situation is unfair. Other men serving under fire with the troops in Italy had to pay income tax. They were allowed only one-fifth exemption. This matter was thoroughly discussed in the veterans affairs committee. Evidence was given there which, I think, clinches the matter. I would refer hon. members to page 206 of the committee proceedings.

The ACTING CHAIRMAN (Mr. Golding): Order.

Mr. GREEN: These proceedings have been reported back to the house. General Burns, who is in charge of rehabilitation, was a corps commander in Italy. In the committee he said:

We have Colonel Philpott here to-day. He was deputy director of auxiliary services for the Canadian army overseas, and he could possibly answer the question for you.

The question asked was as to the status of those men of the auxiliary service. Colonel Philpott was then called on, and said:

Mr. Chairman, I think the answer you are trying to get is this: first of all the supervisor, in my opinion, was definitely a member of the forces. His services, and the conditions under which he served, were exactly the same as those of other members of the forces.

Then at page 207 the chairman said:

With regard to one point you mentioned, I agree with what you say in a large measure that to most intents and purposes these supervisors were members of the armed services, but they could not be ordered into combat or anything like that?

Colonel Philpott: They were non-combatants, but they were right up with the troops in the fighting. They were looking after our troops' welfare right in the front line. I can vouch for them because it was my job to direct them. I was with them on the continent and I was with them with the troops, and they suffered the same hardships and privations and had the same discipline.

I could go on at considerable length, but there is the whole story. I am not going to try to pile any further arguments on top of the statement that was made by Colonel Philpott who was actually in the government service.

With regard to the corps of fire-fighters, hon. members will bear in mind that, at the time these men were recruited, fire-fighting in Great Britain was considered even more dangerous than being in the forces. That was at the time when the Germans were bombing English cities. These men were enlisted to undergo these hardships and they actually did so. Further than that, we had an affidavit produced before us in the committee, sworn to by thirty-eight members of this corps of fire-fighters, which reads as follows:

We, the undersigned, hereby jointly and severally swear that we were present at Parliament hill, Ottawa, on the occasions when Major-General LaFleche, deputy minister of national war services, made statements to contingents of the corps of Canadian fire-fighters, on their leaving for overseas, as follows:

He stated that we would be looked after in the same manner as the armed forces, that our families would receive the same protection and benefits that were accorded the army, and that we were to be known as the fourth arm of the services. (A term that the governor general used while addressing us.)

This affidavit will be found at page 317 of the proceedings of the committee. Evidence was given by Mr. Magill, one of the executives of their association, who was asked this question by the hon. member for Lanark:

Yes, what were your services?

The answer was:

When we volunteered for this job, we did not ask any questions as to what we were going to get or what we were not going to get. We volunteered to go over, and when we joined the corps we knew that we were going over; in two months, every man from the time he enlisted, was overseas. When we got there we were attached to the national fire service. The membership of the national fire service was obtained on a compulsory basis.

That was in Great Britain.

The men in England could either go into the army, navy, the air force, or the fire service. They had no option. It was considered a branch of the services there. When we got there we were attached to the national fire service. They in turn gave us vital points to protect from fire. We went to Southampton, Portsmouth, Plymouth and Bristol. Those cities were receiving at that time the greatest brunt of the bombing. We worked in conjunction with them all through. We maintained our own station, with our own officers and our own men, equipment supplied by the national fire service. We were trained over there by them and attended their colleges and also took courses over there with them.

Then he was asked:

Go ahead. Tell us what you actually did; for instance when there was an air raid, what did you do?

One of the other members asked:

Was not a detachment ready to go to France on D-day?

The answer was yes; then the witness went on:

In the event of a raid we immediately went outside in the street and took up our positions at our stations. We could not take cover. Our job was outside, not inside, when the raid was on. We had to stand outside. A station would perhaps have five or six pumps in it. Immediately on the warning being given they would be dispersed to certain points in the city and the men would have to stand there until they received instructions where the raid was and what they were to do. There was no chance for us to take cover.

Then the hon. member for Lanark asked:

Q. In the event of a fire during the raid, what did you do?

A. During the raid we immediately went to the fire.

Q. In spite of the fact that bombs might be falling?

A. It did not make any difference. We answered the call.

Q. You would work practically all through a raid?

A. Yes, outside. That was our job. We did have 100 men trained and attached to the 21st army group ready to leave for France on D-day, and they got on the boat. They actually took their training and got on the landing barges, and then were taken off. We trained for that and had army personnel attached to us in a liaison capacity, so that when we went over there we knew where we were going and what we were going to do. But fortunately, the raids in France did not develop to anything like what was expected. Therefore we were not needed. But we were prepared to leave and ready to leave at a moment's notice.

Several of these men were killed; others were seriously wounded and others were injured, and I do suggest to the acting finance minister that before the bill based upon this resolution is brought down consideration should be given to providing exemption from income tax for these groups for whom the committee has put in a recommendation. All these questions have been carefully considered by the veterans affairs committee, and its recommendations should be given great weight. I do not think anyone can question the justice of the claims of these particular groups.

Mr. ABBOTT: Perhaps I might deal at once with some of the points raised by my hon. friend. I am thoroughly familiar with the questions he has brought forward; I lived with them for four or five months when I was parliamentary assistant to the Minister of Finance. Under the law as it stands, complete income tax exemption has been granted only to those who were members of the armed forces; and the policy has consistently been that it was not considered appropriate to grant complete income tax exemption to civilian groups, no matter what the risk involved in the particular work they were doing.

To give the committee an idea of the civilian groups involved, there are the auxiliary services, to which my hon. friend has referred, such as the Knights of Columbus, the Y.M.C.A. and the like; the fire-fighters, to which he has also referred; those who served in the merchant marine; the pilots who served in the ferry command; the test pilots and the civilian instructors in the flying schools. All these groups have claimed income tax exemption. The policy has been consistently that complete income tax exemption should be granted only to those serving in the armed forces. May I interject here that this illustrates, if I may say so, the desirability of not granting complete income tax exemption to any group in the community, because it leads to more or less well founded claims by other groups who feel that they have an equal right to exemption?

Take the case of the auxiliary services. For reasons which no doubt were well founded, the members of these services preferred to serve under the auspices of their various organizations rather than as members of the armed services.

Mr. GREEN: That story was gone into by the committee, and the facts are just the opposite.

Mr. ABBOTT: If my hon. friend will permit me to finish what I have to say—

Mr. GREEN: But the minister must not make an incorrect statement.

Mr. ABBOTT: My hon. friend had his turn, and I did not interrupt him. I met a committee of the auxiliary services two years ago and discussed this question of tax exemption for the auxiliary services. In that committee I raised this point, and discussed it at length with them. It was agreed by the members of that committee that this was the case; that, not necessarily for reasons of their own, I do not suggest, but for good and sufficient reasons they preferred to serve under their own auspices. In the United States army by contrast, the auxiliary services were provided by the armed forces themselves. The men who served in them were army personnel, subject to army discipline, receiving army rates of pay and so on.

The auxiliary services are in law civilians, and they were such because their organizations so desired. The same thing applies, of course, to the merchant marine, ferry command pilots, test pilots and civilian instructors. It was felt that in the case of these groups some income tax consideration should be given; and in the case of the auxiliary services, after the discussion with this committee to which I have referred, legislation was introduced by order in council granting an exemption of one-fifth of the supervisor's pay, which was treated as exempt from income tax. That was roughly comparable to the treatment accorded merchant seamen, where their war risk bonus was considered as exempt from income tax. In the case of the ferry command, if I remember correctly, it was one-third. There, of course, the scale of remuneration was fairly high, and that was looked upon as the war risk element of their pay. Offhand I cannot remember what was done, if anything, in the case of test pilots or civilian instructors; but I am advised that it is now under consideration, if it is not already passed, that the fire-fighters will receive treatment similar to that accorded the auxiliary services and the merchant seamen.

Mr. McNICOL: What rate is that?

Mr. ABBOTT: In the case of the merchant seamen it was the war risk bonus, and in the case of the auxiliary services it was one-fifth of the pay, which would be roughly comparable for those categories. In addition, these groups have been given the further benefits, pension benefits and the like, accorded to members of the armed forces.

Mr. GREEN: No, not yet.

Mr. ABBOTT: That has been recommended, and I believe it is to be done. However, the point I want to emphasize here is that the principle has never been recognized that any civilian group in Canada will be granted complete income tax exemption. That has been considered a fundamental principle of government policy, and it is one, I may say, to which I thoroughly subscribe, in the light of the views I have expressed in respect to income tax exemptions to any groups generally.

Broadly speaking, that is the position with respect to these various civilian groups. I want the committee to understand that I do not wish in any way to be considered as casting any reflection on the value of the services performed by these groups or the risks which may have been involved in performing those services. On the contrary, I have only the greatest admiration for the work they performed; but I say we cannot recognize the principle that any civilian group is to be completely exempt from income tax.

Mr. GREEN: There is just one thing I want to say in that connection in regard to the point on which the minister's whole argument is based. He says that these men had this status at their own request. The evidence before the committee was just the opposite, namely that the status they had was at the insistence of the army.

Mr. ABBOTT: I am in a position—

Mr. GREEN: The minister did not want me to interrupt him. Let him just sit down until I have finished. The army insisted that while they were in—

Mr. ABBOTT: Who gave that evidence?

Mr. GREEN: Different people gave it, and it was not questioned by the army authorities. It was the army that made them serve in the way that they did. In the first war they carried rank badges; in this last war they did the same work but there was a ruling by the army that they must be treated in the way that they were treated—not, strictly speaking, considered as members of the army. They are now deprived of income tax exemption, although many of them were actually under fire, and yet others who were never under fire are getting it.

Mr. ABBOTT: I was not at the meeting of the veterans committee to which the hon. member referred, but I was present at a meeting at national defence headquarters two years ago which was presided over by Brigadier Mess, and at which were present senior representatives of the auxiliary services. Representatives of all these services were there, including my friend Jack Beaton of the Y.M.C.A.

The question was raised at that time as to what the status of the auxiliary services was, and we had a considerable discussion on that

matter. The point was clearly brought out, and it was brought out by Brigadier Mess and brought out by myself, that the condition under which they were serving was not because the army wished it that way but because the auxiliary services wished it that way.

I was not present at the veterans affairs committee; but I know what was said at the meeting two years ago; I know who the representatives were, and I know who presided at the meeting.

Mr. GREEN: Does Jack Beaton know?

Mr. ABBOTT: He will, because he was in on that meeting and he will recall what took place. There was one other meeting.

Mr. GREEN: You ask him.

Mr. LENNARD: Further to what the hon. member for Vancouver South had to say about Canadian overseas fire-fighters, I wish to reiterate what he said about promises that were made to the corps before proceeding overseas. They were promised definitely by Major-General LaFleche, as representative of the government at that time, that they would receive all privileges which would be granted to the armed services.

Mr. McCANN: Would you permit a question?

Mr. LENNARD: When I am through you can make your speech.

Mr. ABBOTT: May he put a question—

Mr. McCANN: Yes, may I put a question?

Mr. LENNARD: Yes.

Mr. McCANN: What is your foundation for your statement that General LaFleche made a promise to the auxiliary services?

Mr. GREEN: I read the affidavit a minute ago.

Mr. LENNARD: There is the sworn statement as to the overseas fire-fighters.

Mr. McCANN: I challenge that.

Mr. LENNARD: Well, that will be your responsibility. But the affidavit was made to say definitely that the Canadian overseas fire-fighters would be given the privilege of having income tax exemptions. It was only after they came back that they received notice of this back income tax which they were forced to pay. But I should like to ask the minister, who is responsible for not taxing these overseas fire-fighters at the source? It was done in every other case where there was a payment of income tax.

Mr. ABBOTT: I cannot say why they were not, but I will look into that situation.

Mr. BLACKMORE: Would the Minister of National Revenue answer that?

Mr. MacNICOL: I wish to support as strongly as I can the remarks made by my deskmate, the hon. member for Vancouver South, particularly those remarks in regard to the fire-fighters, because I am more familiar with their case than with other cases of the other services mentioned. I knew quite a number of fire-fighters who left Toronto. Several of the leading members of the overseas brigade came from my riding, and I have learned from them and have had communications from their association in Toronto outlining what they went through.

If, as my colleague has pointed out, they were made promises—and that I do not know, but I listened to the affidavit read by my colleague—I am sure the minister and certainly all hon. members in the house would want that agreement carried out. A number were killed and a number badly injured. They went into action when the buzz bombs were at their worst. They were in the thick of what took place which, at times, was as bad as anything that took place on the continent itself. So I just wish to add my support to what has been said as to relieving them from what has been imposed upon them.

Mr. MUTCH: While we are on this question, I would point out that the minister said it was a matter of policy not to grant complete tax exemption to any other than those who served in the armed forces. Then he went on to say that certain groups did receive consideration and that claims of other groups were put forward at a meeting at which he was present.

Mr. ABBOTT: The meeting to which I referred was the auxiliary services only.

Mr. MUTCH: The question I would ask him is whether or not consideration has been given, or whether representatives have been made on behalf of a small group of Canadians, only twelve or fourteen in number, who served with the Canadian forces from Sicily through to Germany, on whose behalf, so far as I know, no benefits have been extended. I refer to the Canadian war correspondents. Has any application been made or any consideration given to income tax relief for them during that period?

Mr. ABBOTT: I am advised that certain representations were made to the Minister of Finance on behalf of certain war correspondents, but I am not in a position to give any more particulars than that at the present time.

Mr. MUTCH: I am informed that they are some twelve or fourteen in number, and I believe the total amount involved would be less than $10,000.

Mr. ABBOTT: May I point out that this, again, just bears out my point. I am not so much interested in the amount of money involved, but I am arguing strongly the question of principle, that if you extend this exemption to one civilian group, then I can think of a lot more to whom I think it might with equal justice be extended.

Mr. MUTCH: I am not going to add to the minister's list extensively. But I say that whether or not you accept the minister's idea, that in principle it is wrong, the practice was accepted. Perhaps the time to change a principle is between wars, not during one or at the end of one. Perhaps when the minister is considering these applications he would look into this small group.

Mr. SKEY: Before we leave the question of fire-fighters, I should like to say that I shall be glad to supply the Minister of National Revenue with proof that this promise was made to them by a minister of the government.

Mr. ABBOTT: He was deputy minister, was he not?

Mr. SKEY: I shall be glad to supply it to you; I have it in my file.

Mr. ABBOTT: I think he was deputy minister at the time.

Mr. SKEY: Deputy minister. While the Acting Minister of Finance refers to the principle, I feel that here is one place where the opposition is truly trying to help out the government with its principles. A promise was made to these men and there are signed statements in witness of that promise being made. I know it is with great regret that many of them have brought the matter into public affairs to-day. I feel that if any group should receive consideration it is this particular group because a promise was made to them.

Mr. ABBOTT: I do not know whether a promise was made or not; but, assuming for the sake of argument that it was, I would point out that no civil servant, no matter what position he occupied, would have any authority to make such a promise. That would be contrary to the income tax law as it stands.

Mr. KNIGHT: I do not want to enter into a general discussion of this matter at this time. On several occasions I have taken up in this house the case of the fire-fighters. When the minister was hunting for an answer, and one which I consider to be a feeble one, as to why income tax had not been deducted at the source I remembered that I had received a return to an order of the house dated May 8, 1946, in reply to a question which I had asked in regard to the matter. For the information of the committee, I shall read the questions and answers:

1. Are members of the civilian corps of Canadian fire-fighters liable for income tax on pay received while serving overseas? A. Yes.

2. Was any part of such tax deducted at the source at the time such pay was issued? A. No.

3. If not, why was it not deducted at the source?

Then comes an answer which compares with the one just given by the minister in that it is feeble. It reads:

Payments were made overseas and the table of tax deductions was not dispatched beyond Canada.

It would seem that the postal service was not working, or there were no embassy bags or whatever are used to send dispatches overseas. I did not consider that answer satisfactory, nor do I think the minister's answer to-night is satisfactory. The fourth question was:

4. Has income tax on such wages or pay been now paid by any members of the fire-fighters corps?

This was dated July 10, 1946, and the answer to that question was:

The file of each such person has not been examined but with possible few exceptions it is generally believed that income tax on such wages has not been paid.

The whole thing seems to be in a state of confusion and flux. Apparently there is now to be an easing in the imposition of tax upon the fire-fighters after a period of indecision on the part of the department concerned lasting over a couple of years. I am glad that we can take the assurance from the minister that they are to be exempted to the extent of one-fifth of their income during the period they served overseas.

Mr. ABBOTT: I think I said that was under consideration. I do not know that I am in position to make a statement.

Mr. KNIGHT: The minister is not prepared to go even that far. If I were to enter into a debate as to whether or not these fire-fighters should receive the same privileges as the men who served in uniform I would need to mention only one statement made by the minister, shall I say in his proper capacity as Minister of National Defence, and I am not saying that he cannot handle the position

he is now in quite efficiently. But he did make this statement, and very heatedly as I remember, one day in reply to a member of the official opposition. He said that so far as he was concerned, wherever the bombs were falling, whether it be in England or any place else, that was the front line.

Mr. ABBOTT: I do not remember making such a statement, although I may have. It does not sound like my type of oratory, but it may be correct.

Mr. MERRITT: I shall not cite any of the promises or anything of that kind, but I think I can meet the minister on his own terms of high principle. I like the minister for advancing the idea that we should deal with these matters on terms of high principle.

Mr. ABBOTT: Principle, anyway.

Mr. MERRITT: I like his idea that there should be general taxation and relief by means of higher pay to the armed forces. We must deal with this matter on practical terms and not in terms of the future. The high principle the minister speaks of is that advanced by this government that no civilian group which served overseas shall have the same exemption from taxation as was granted to the members of the armed forces.

Mr. ABBOTT: Not necessarily overseas; no civilian group anywhere.

Mr. MERRITT: I agree with that high principle; but let me say that in the case of the auxiliary services and the fire-fighters the acting minister, unwittingly I am sure, is descending from that high principle to a verbal technicality in the way he is applying it to these two classes. Evidence has been given by the member for Vancouver South that a statement was made by the officer responsible for administering the auxiliary services to the effect that they were undistinguishable from soldiers in their service, in the discipline that was imposed on them, in the places they had to go and in the various duties they carried out. Technically and because of mere verbiage, these men are treated as civilians when in actual fact they were just as much soldiers as any one in the forces. The auxiliary services are in a class by themselves.

The fire-fighters were serving in England and they were considered as being on all fours with the armed forces. I remember speaking to one man who was called up, and he told me that he had been permitted to elect between the army and the fire-fighters when he received his call-up. They were just as glad to get fire-fighters as they were to get soldiers. The military need for that class of men was just as great as it was for soldiers, and they were glad to have these men go over at a time when, goodness knows, soldiers were needed. That is absolute proof to my mind that in high principle they were soldiers, and it is only begging the point to say that they were not.

Mr. LENNARD: Following what the hon. member for Vancouver-Burrard has said in connection with the fire-fighters, I would point out that they received the same rates of pay as those in the armed forces. In answer to the Minister of National Revenue I would say that these fire-fighters proceeded overseas in detachments of fifty or so. The promise was made by Major-General LaFleche to each detachment in the same terms; it was not made on only one occasion; it was made on several occasions. They were told that they would receive the same consideration as those in the armed forces.

Mr. McCANN: The only reason I asked the hon. gentleman a question was to find out whether that assurance had been made verbally or in writing. This matter came before me as Minister of National War Services. I had the officers of the department make a complete search, and I made one personally, of all the records and correspondence, and nowhere could we find that a commitment had been made to the fire-fighters with reference to exemption from income tax.

The hon. member for Vancouver South brought up a point with reference to pay, that it should be such that the paying of income tax would not be a hardship. The chief of the fire-fighting services was receiving in his occupation in this country before he left for overseas $2,400 a year, and as chief of the fire-fighting services he received a salary of $5,000 a year, so that in that instance at least the rate of pay was such that he could, I think, have met the requirements which my hon. friend says should be met with reference to pay.

Mr. GREEN: What about the firemen?

Mr. McCANN: I think the hon. member for Wentworth is correct when he says that their rates of pay were the same as in the armed services. I am not detracting one iota from the service this force rendered. I am merely asking anyone to indicate to me if he can that there was any assurance to the fire-fighters they would be exempt from income tax?

Mr. LENNARD: Certainly it was a verbal promise, and given on more than one occasion. But it was never denied by any member of the government, and the fire-fighters were most certainly led to believe that they would receive all the privileges of the armed services. I said in this house in 1937, I think it was, when the estimates of the Department of Pensions and National Health were up for discussion, that every government since the last great war had chiseled on the returned men, and I meant every government, both Liberal and Conservative.

Mr. ABBOTT: This one has not. It is giving the returned men the most generous deal of any country in the world.

Mr. LENNARD: I am speaking of 1937. But most certainly this government is not living up to its obligations in regard to the fire-fighters.

Mr. ABBOTT: I am not prepared to concede that this government entered into any obligation to the fire-fighters with respect to income tax. I have made that clear already, but I must reiterate it in view of my hon. friend's statement.

Mr. BLACKMORE: It would be interesting to know if the Minister of National Revenue ever went to General LaFleche and asked him if he ever made that promise.

Mr. McCANN: When the matter came before me personally, General LaFleche had left the country to serve as ambassador to Greece. What my hon. friend asks was done, and General LaFleche could not recall having made any commitment.

Mr. GREEN: Did he deny that he made it?

Mr. McCANN: He did not recall having made any commitment.

Mr. GREEN: But he did not deny it?

Mr. PEARKES: Regarding the supervisors of the auxilary services, in world war I, they wore the rank and were recognized as being in the army. I also have attended conferences. The Minister of National Defence, who is conducting this legislation through the committee, mentioned having attended a conference in 1942, where he said—

Mr. ABBOTT: About 1943 or 1944.

Mr. PEARKES: It is immaterial. He attended a conference where he said that the heads of the organization at that time expressed a desire that their personnel should remain as civilians and not be incorporated in the army.

[Mr. McCann.]

Mr. ABBOTT: I know that my hon. friend wants to be correct. They acknowledged at that meeting that the status which the auxiliary services occupied as civilians under their own control and direction was at their own desire and request and not at the request of the armed forces.

Mr. PEARKES: At their own desire and request. I should like to say that I have also attended conferences. I attended conferences in 1939 on board a ship going over to England, and I know the commander of the first Canadian division at that time was firm in his opinion that he did not want the auxiliary services as part of the army. I think that should be on the record in order that hon. members may see that the army as well as the organizations were not anxious that the personnel should be considered part of the army.

Mr. ABBOTT: It may have been mutual. I do not deny that.

Mr. PEARKES: I should like to point this out, that there was an interchange between the army and these services. Sometimes an individual was in the auxiliary services and later was transferred into the army, and vice versa, some of the personnel who were in the army were at times transferred into the auxiliary services. During 1939, 1940 and 1941 there were staff officers on the headquarters of formations whose special duty it was to supervise the supervisors of the auxiliary services. They were with the headquarters of formations, while the supervisors themselves were with the units. Those officers would be exempt from income tax, whereas the supervisors who were in the more advanced units were not exempt. It does not seem to me to add up and be fair that you should give one class of men exemption when another class of men doing exactly similar work were not exempt.

Mr. MacNICOL: Just one further word, and I am compelled to say it because of the remark made by the Minister of National Revenue that the fire-fighters were paid merely the same rate of pay as a private in the army. Of course, the majority of the fire-fighters overseas would be in the lower ranks. I am personally acquainted with many of them who were in the Toronto fire department, where they received the Toronto fire department remuneration. Quite a number of them were lieutenants or of higher rank when serving with the Toronto fire department, but they took a lower rank in the fire-fighting service overseas because of their patriotic desire to serve their country "over there". I know that in a number of cases while they

were overseas their wives and families had a struggle to get along. I did not know before that their pay while overseas was so low. In view of that low pay, I should like to see the government give them any consideration which can be given. It does seem to me that five per cent is a pretty small allowance. I hope the Acting Minister of Finance will reconsider their case. He shakes his head. He is pretty determined, and I have no fault to find with that because I like to see a man stick up for his opinions. But I would urge him to give consideration to the strong recommendation which has been made by the hon. member for Vancouver South, who is always on the job when anything pertaining to the armed forces or the auxiliary services comes up. I hope the minister will reconsider the case of the fire-fighters.

Mr. ADAMSON: This question has been covered fairly extensively, but I want to bring one point to the attention of the minister. These men who had been given this promise by General LaFleche could not have just imagined that they had been given this promise. Groups of these men have come to see me from various parts of Canada, and each of them have told me individually and collectively that they had received a definite and specific promise, verbally I grant you, that they would be exempted from income tax. It seems to me that if we are talking about high principles, the verbal assurance of a minister of the crown—

Mr. ABBOTT: I must correct that. He was not a minister of the crown at the time.

Mr. ADAMSON: Well, a deputy minister of the crown and subsequently a minister.

Mr. ABBOTT: Right.

Mr. ADAMSON: I say that his verbal assurance, his word, should be as good as his bond. Many of these men have come to me and said, "We joined the fire-fighters because, had we joined the army and declared our occupation, we would immediately have been sent to some fire-fighting unit and put on fire-fighting duty at some permanent camp in Canada." I know that is what happened, because trained firemen, like other trained persons were at a high premium during the war, and many of these men definitely joined the fire-fighters because that was their only opportunity to get overseas. They feel, and is it a justifiable feeling on their part, that they are being badly treated, scandalously treated, because certainly in their own minds, there is the belief that a promise was given them by General LaFleche.

They also feel another grievance. It has nothing directly to do with this question, but the minister is also Minister of National Defence and he should know about it. I understand that they did not get the service decorations that the armed personnel were given, the reason being that they were civilians. Here we have the case of a man who joined the armed forces, who perhaps was a member of a fire brigade, who went to Camp Borden and did duty there as a fire-fighter. He is in his unit as a fire-fighter and gets three decorations or two perhaps, whereas the fellow that went overseas and actually put out incendiary fires has no decorations—has he? An hon. member says he has. I understand that was one of their grievances, but perhaps that has been corrected.

At any rate, in the matter of income tax, these men were unquestionably given an assurance, even though perhaps it cannot be found on the minister's files. There were only a few of these men. Surely, from the principle that we have heard enunciated, the high principle that the government should make its deputy minister's word as good as its own, the minister should take the representations of these men into consideration. It is not a matter involving a great amount of money; it is not a matter of extravagance; it is a matter of simple justice. I ask, therefore, that this case be reconsidered, in the hope that these men will receive the benefit that was at least verbally promised them. There is in another room in this building a committee which has twice recommended that.

Mr. BENTLEY: I support the views expressed by the hon. member who has just spoken. I suppose that the minister and also the Minister of National Revenue mean what they say when they assert that no commitment was given, or that General LaFleche cannot recall having made a promise. I have talked to some of these men who were fire-fighters. They do not lie in other matters and they honestly believe that the promise was made. Many of them have signed their names to a document to the effect that it is their conviction that the promise in question was given, and others are prepared to sign their names to the same thing. In other words, they went into this particular service on the strength of their belief that the promise was made. What earthly principle can now be invoked for denying to these men the fulfilment of that promise, to which they are willing to swear in an affidavit, because the assurance was given by a government official? This must have been known to the cabinet ministers at the time.

Mr. ABBOTT: It was not.

Mr. BENTLEY: The minister says it was not and I shall have to take his word for that.

Mr. ABBOTT: I am only saying that on hearsay.

Mr. BENTLEY: But when so many people in the country fully believe that the promise was made and when so many of these men have themselves told me that they believed the promise was given, the cabinet must have known about it. Nearly everyone who follows the papers in the country knows it. It is not something that has just recently come up. If I have heard the discussion rightly to-night, both ministers who spoke said that there were no deductions from the payments to the fire-fighters overseas. Well, how does the Department of National Revenue propose to collect now from those from whom collections were not made at the source? Is the department going to go into the courts and sue these people and take their knives and forks and their frying-pans from them? How will they get the money if they have not collected it? In view of the belief that these men entertain, that the promise was made, what high principle can be invoked to afford the government any excuse to take the attitude which the minister is taking?

Mr. ABBOTT: Fairness as between classes of taxpayers. It is perfectly clear, I am assured by the officials, that there was never any agreement on the part of the responsible minister, the Minister of Finance, that such an exemption would be given. I am not denying that these men may have believed that they were to receive income tax exemption; but if they are to receive it, then there are a number of other groups who have an equal if not a greater claim. These men performed a most useful service under great risks. The casualties were two out of four hundred odd—I am only told that. But let us assume—

Mr. LENNARD: I believe three were killed and others were wounded.

Mr. ABBOTT: That may be so. In any event, there were about one-third of the ferry pilots lost. If this treatment were extended to the fire-fighters, a civilian group, in my opinion it would have to be extended to the ferry pilots and other equally deserving groups. I can only reiterate what I have previously said, that no civilian as such has been recognized as being entitled to complete income tax exemption, and no responsible minister of the crown ever gave an undertaking that they would be. I do not think that principle can now be recognized.

Mr. BENTLEY: I still do not believe the minister is taking the right attitude.

Mr. ABBOTT: That is a matter of opinion.

Mr. BENTLEY: I believe there are other civilians who have as good a claim or perhaps better, but no other civilian group who engaged in any type of war service comparable with that of the fire-fighters believe that they were given such a promise. They were not brought into the service in which they were engaged under any promise of the kind. But these people believe that they were given that promise, because it was given by a high government official who enjoyed considerable popularity in the country. If any other group came forward with similar evidence and the same conviction on their part of a promise that had been made to them to join a certain service, I would say that they had as much right to consideration. But this was distinctly the understanding that these men had.

Mr. ABBOTT: I cannot believe that these men joined the service because they thought they would get income tax exemption.

Mr. LENNARD: Certainly not, but that does not say that they were not given the promise.

Mr. KNOWLES: I suggest that, whether or not the undertaking was given on that point, which seems to be debated across the floor, the matter should be settled on the basis of the principle which the minister himself has stated, namely, fairness as between taxpayers. The argument that if these people are entitled to this exemption others would have to be considered as well is not an argument against these people being given it. That might only mean the others should receive it as well. In that connection, I felt that the Minister of National Revenue got away from the point when he referred to one of the members of the corps of fire-fighters receiving greater pay for his services in the corps than his remuneration in civil life. The hon. member for Vancouver South suggests that was only one case out of hundreds so far as fire-fighters are concerned; but the point I wish to make is that is not a proper comparison to make. If one is to make that comparison it will certainly upset a good many calculations so far as the armed services are concerned. The comparison should be with similar war service. On that basis, I suggest that these men should be treated in a manner similar to that of those in the armed services.

The very fact that there are items Nos. 7 and 8 on the order paper under government orders, to which I believe the minister has already referred, represents to me an admis-

sion that these men have been discriminated against unfairly and that certain wrongs must be righted. The fact that these other wrongs have to be righted lends strength to our argument that this wrong should be righted as well.

I should like to bring to the attention of the minister one other point which relates to the effort in which some of us were engaged for a considerable period with reference to the Canadian soldiers who went to Kiska. When they went the income tax regulations did not recognize the fact that Kiska was outside the western hemisphere, and they were taxed at once and paid the tax through deductions at the source as though they were serving within the western hemisphere. After considerable effort on the part of some of us in the house, the government, by order in council, changed the regulations. That was some months after the deductions had been made, but once the justice of the claim had been recognized it was found possible to make the change retroactive. I am sorry to say it took the department a long time to take care of the matter, but at any rate, the justice of the principle being recognized later with respect to these men and retroactive action being taken, I submit that it should also be done in this case.

Mr. ABBOTT: That was due, I take it, to a mistaken understanding of facts. These men were in the army; they were soldiers, and at that time it was merely a question of where they were serving.

There is one other thing I should like to say with respect to these fire-fighters. It has been brought to my attention that this alleged promise was given as the men were leaving for overseas. None of them alleged that it was given at the time they joined.

Mr. CHURCH: Speaking as a civilian from a soldier city, I wish the government under resolution 18 would give these men who were combatant soldiers, who served overseas in different theatres of the war, at least three years to reestablish themselves before starting in to tax them. The government should start in on some of the higher-ups before taxing soldiers so soon. Judging by the way the security councils are blowing up in Europe, I can tell the committee that we shall not have security for very long, and we may need these men a little later on. I believe that the money could be provided in some other way and that we should wait for at least three years before we start taxing soldiers who were at the front.

Mr. BROOKS: I do not wish to repeat the arguments which have been used. This matter was discussed in the veterans committee for a good many hours and almost all points were brought out. While these men were not recruited as soldiers, they were recruited to do practically soldier's work. They were assigned difficult and dangerous tasks. At the time they enlisted and after enlistment they were treated practically as soldiers; they were under the same as military discipline all the time that they were away. Their pay was practically the same as the soldier's pay, if not the same. As far as their duties were concerned, in England we all know that for the first two years of the war the soldiers who were overseas had very little to do except training. These men were looking after fires in all the devastated areas in England. Anyone who has been to London and the different cities and has seen the destruction in those cities realizes the dangers which these men have gone through and will realize that their work was practically the same as the work that was carried on by soldiers in France.

I should also like to point out to the minister that many thousands of men who were recruited and acted as soldiers got this exemption. These men were on the staffs in England. They spent all their time in England doing necessary work so far as the army was concerned, but so far as the dangers they encountered are concerned as compared with the dangers encountered by these men, there was no comparison at all.

I understood that these men were asked to go to England after the Prime Minister had been to that country and had seen the devastation there. He came back and realized that it was necessary that we send some of the men over. There was also a request from the British government. From personal interview with some of these men, I know it was their intention to join the armed forces and go overseas; but they were told that they could do better work if they went over as fire-fighters and assisted in the putting out of fires, and helped in the devastated area of the different cities. It is not necessary to press this point any farther.

So far as the justice of the claim is concerned, it was recognized in our veterans committee that these men should receive consideration. There were less than three hundred of them—

Mr. ABBOTT: Four hundred.

Mr. BROOKS: I think 378 or something like that. In any event, the number is not large. It would be only a matter of justice if the minister and the government would reconsider the attitude they have taken and

exempt these men from income tax. They were away from their families just as the soldiers were.

Mr. ABBOTT: There were a number of civilians in London who rendered devoted service on the same basis.

Mr. BROOKS: Who were they? The minister has already mentioned the pilots. Our committee recommended that these pilots should receive consideration. They are receiving some consideration but they are not getting exemption in taxes. One of the arguments used in our committee was that these men received much larger pay than the firemen and other benefits which these gentlemen did not receive at all. So far as the pay of the pilot is concerned, there is no comparison with the pay of the fire-fighters. I do not wish to labour the point any farther, but I think it would be just a matter of justice for the government to reconsider their attitude and exempt these men from income tax.

Mr. RICHARD (Ottawa East): I would not want the committee to think that all the sympathy for the fire-fighters and the justice of their claim is on the other side of the house. I have had a great number of representations made to me by members of the fire-fighters. I also believe in the justice of their claim, but I believe sincerely that the Acting Minister of Finance has made a true statement when he says that the government had no agreement with the fire-fighters. It is true that they are under the impression or they were under the impression that they would receive treatment similar to that to be received by members of the armed services. As I see it, we are only carrying on a long discussion, each repeating what the other said, and all stating that we believe in the justice of their claim. I believe the Acting Minister of Finance should consider allowing this item to stand. I think the fire-fighters are perhaps the most important organized civilian group with a claim to be considered for exemption in regard to income tax. If other groups are organized and have similar claims, they should also be considered on their merits. In these circumstances I would ask the minister whether he should not let the item stand.

Mr. MUTCH: There is, I believe, a resolution on the order paper giving notice of legislation respecting benefits to both supervisors and fire-fighters, and I had not anticipated that a debate of the general nature we have heard to-night would come up on the budget resolutions. Since it has developed, however, I want to say a word or two with respect to both the auxiliary services and the fire-fighters, only, however, in relation to the matter of income tax, which is germane to this resolution.

I was one of those who urged in the committee, and I am one of those who urge now in this committee of the whole, that as far as the auxiliary services are concerned they should receive the benefits which members of the armed forces received in the matter of income tax exemption. I am quite well aware that, at the time the order in council conferred upon the auxiliary services all the other benefits enjoyed by the armed forces, it specifically excluded income tax considerations. But a great deal has happened since that time. The committee believed, as I believe, and now urge again upon the minister, that in regard to income tax they should be granted, in the terms of the recommendation of the committee, all the benefits which accrued to the armed forces. because to all intents and purposes they were members of the armed forces. It is perhaps fortunate that the Acting Minister of Finance is also Minister of National Defence and is himself a soldier, because, if he hears it, I think he will accept the validity of what I am about to say. The test of whether or not a man is serving as a member of the armed forces is the question of discipline; and we were informed on the authority of the officer commanding the corps at the time, and the officer who commanded the auxiliary services overseas, that they were amenable to all discipline and subject to court martial.

That being the case, it is difficult to distinguish between those in the armed forces and a group who follow the armed forces in all their operations, who are subject to exactly the same discipline and who receive the same rates of pay. They were in fact, whether or not they were in theory, in the uniform of His Majesty's forces, though they did not wear the insignia of rank. I am well aware of the fact that technically it can be said they were not, but we recognized their position when in the beginning we granted them by order in council all other benefits except that in connection with the income tax.

Mr. ABBOTT: We did not do it in the beginning.

Mr. MUTCH: Well, it was very near the beginning.

Mr. ABBOTT: It was after this conference I mentioned, with the heads of the organizations.

Mr. MUTCH: I do not have the exact dates. I have been through this so often I could almost recite it from memory, with the exception of the dates. In any event, the principle has been established, and there does not seem to be any great division of opinion. I am perfectly well aware of the argument the minister has advanced to-night, that if you concede this treatment to one group which is, technically at least, civilian, you are opening the door to other groups.

Mr. BROOKS: The veterans committee did not recommend any other civilian groups except the supervisors and the fire-fighters.

Mr. MUTCH: I know that, but I have not yet reached the fire-fighters.

Mr. MACDONALD (Halifax): I think there was a recommendation that merchant seamen who became prisoners of war should receive income tax remission.

Mr. GREEN: That is a different matter.

Mr. MUTCH: I do not propose to go through all twenty-four reports that were tabled—

Mr. ABBOTT: Thank goodness for that.

Mr. MUTCH: I would do so if I thought it necessary to bring the facts to the attention of hon. members.

Mr. ABBOTT: I think my hon. friend was right, and this discussion would be more appropriate under the resolution to which he referred.

Mr. MUTCH: Quite, and I propose, therefore, to confine my remarks to those aspects which touch on the income tax matter. I say again that I was and am one of those who urge that, having gone as far as we have by agreement with these auxiliary services, based particularly on the fact that they were completely amenable to military discipline including court martial, and based on the experience of the men at Hong Kong, we should concede this point.

Then we come to the second group which has been under discussion to-night, the fire-fighters. Again the veterans committee, both the main committee and the subcommittee of which I was a member, recommended with respect to income tax that the fire-fighters be granted not less favourable terms than those granted to any group that was specified. When the report of the subcommittee came in, the main committee amended it to make it read "identical". It is the same thing, because, having recommended everything to one, if you give no less to another you give everything to both.

I rose primarily not to make my own position clear, because by now I think that is abundantly clear, but to point out to the committee and to those who may be following this debate that those who have been urging the claims of these two groups with respect to income tax are not speaking as a bloc or as a group but are, I think, representative of the majority of veteran opinion in this house.

Mr. ABBOTT: After listening to the hon. members who have spoken, I can say only ont thing. If I may paraphrase the words of Gilbert and Sullivan, it is evident that the lot of a minister of finance is not a happy one. He would like to be a good fellow, but he cannot be.

Mr. BRACKEN: Would the Acting Minister of Finance tell us how many of these fire-fighters have paid this tax and how many have not paid it, out of the four hundred?

Mr. ABBOTT: I am afraid I would have to obtain that information. Those are figures, of course, coming within the department of my colleague the Minister of National Revenue, but perhaps they could be obtained.

Mr. LENNARD: I do not think any have paid.

Mr. ADAMSON: I understand that last year they received back assessments for three years, and it was a shock to them. I do not believe any of them have paid. If you insist on this going through I believe that a great many of them will find themselves in definite financial difficulties.

There is just one more thing I should like to ask the minister. What other civilian groups who served overseas might become eligible if we recognized the claim of the fire-fighters?

Mr. ABBOTT: I gave that information earlier; perhaps my hon. friend was out. He will find it in *Hansard;* there are five or six groups.

Mr. ADAMSON: Could the minister give the aggregate number?

Mr. ABBOTT: I can run over them again; I think I remember. There are the fire-fighters, the auxiliary services, the merchant marine, the ferry command, the test pilots, the civilian instructors in the flying schools; and other groups have put forward claims, including the deep sea fishermen. I think there were also some war correspondents who claimed they should have this status as well.

Mr. ADAMSON: Who actually served in a theatre of war?

Mr. ABBOTT: Or who claimed they were in danger areas, such as the deep sea fishermen who were in submarine infested waters off the eastern coast of Canada.

Mr. McKAY: It seems to me that this is a matter which should be seriously investigated. I have been listening carefully—

Mr. ABBOTT: We have taken an hour and a half on it, as we have every year to my knowledge.

Mr. McKAY: I am not satisfied that what we are doing here is sufficient investigation. It has been said from the other side of the house that this item should be allowed to stand, and I am convinced that it should stand until we look into the matter further.

Mr. ABBOTT: My hon. friend realizes it does not come under this resolution we are considering. Strictly speaking, it is hardly in order.

Mr. GREEN: Yes it does.

Mr. McKAY: The allegation has been made that Major-General LaFleche made a certain statement—not once, but several times. He was a military man with some prestige. The statement is made that he does not recall having made those remarks. I have more faith in affidavits than has the Minister of National Revenue. There was submitted to the committee on veterans affairs an affidavit signed by thirty-eight persons to the effect that he did say it. An important principle is involved here. One cannot lightly pass it to one side. I am not satisfied, after a perusal of the affidavit, that it was a concoction. As a matter of fact it looks to me as if it was a bona fide attempt to tell the truth.

Mr. ABBOTT: That has not been disputed.

Mr. McKAY: Yes, it was disputed to-night. I believe the Minister of National Revenue said that he repudiated it, or words to that effect.

Mr. ABBOTT: No, he never said that.

Mr. McKAY: He said he challenged it, and *Hansard* will reveal that remark. There was a promise made. Either these men are not telling the truth, or Major-General LaFleche is guilty of false pretences. I cannot see it in any other way. It is a matter for serious reflection, and should be investigated. A man of his prominence and prestige should not make a statement like that unless he had some authority to make it. These men went overseas, and some of them did not come back. A few were wounded, and the families of some are to-day getting pensions. It seems to me that we pass too lightly over these things, and I suggest that we should investigate this matter and settle it for all time.

Mr. BRACKEN: When did these fire-fighters leave for service overseas? Were they assessed for these taxes when they were overseas? If not, when were they assessed? I understand that the minister is not now in a position to say how many of them have paid.

Mr. ABBOTT: A comparatively small number.

Mr. BRACKEN: How long were they in the service of the government without this assessment having been made? Perhaps the minister could give us some idea as to what the payments would be, after their having been in the service of the government for years, and the assessment having come only in recent months.

Mr. ABBOTT: I shall have to get that information. It is not available here. I know, however, it would be only a comparatively small number who would be liable to tax, because those who were married with dependents would probably have bigger exemptions. It involves a very small group of men who would be liable to tax. But I will get the information the leader of the opposition has asked for, and try to give it to him to-morrow, or, at any rate, not later than when we bring in the bill.

Mr. GREEN: I endorse the suggestion made by the hon. member for Ottawa East, that this resolution be allowed to stand, and that the Acting Minister of Finance give it further consideration. It is not a question of asking him to make a good fellow of himself; nobody is asking that. It is a question of having an injustice remedied. The minister has said that if he lets one group in he is obliged to let them all in, and that it would not be possible to pick and choose. May I point out to him, as I did in opening the discussion on the resolution, that the committee on veterans affairs have made that choice for him. Here we have a committee of sixty members of the house, everyone of whom served in one or other of the two great wars, and some in both.

Mr. ABBOTT: I did, myself.

Mr. GREEN: They have gone into this question thoroughly and at great length, with the result that the day before yesterday they brought in this recommendation which I shall read to the minister again.

Mr. ABBOTT: I am familiar with it.

Mr. GREEN: They recommend:

That the supervisors of the auxiliary service and fire-fighters of the Corps of Canadian Firefighters dispatched overseas, and members of the Canadian Red Cross Society and the St. John ambulance brigade who served in an actual theatre of war, be accorded all benefits, pensions, rehabilitation rights and income tax exemption as members of the armed forces.

I would ask that the minister allow the resolution to stand.

Mr. ABBOTT: I shall gladly allow it to stand, and give it consideration. But I do not want to hold out any false hopes to the committee that it is likely the decision will be changed. Certainly, so far as I personally am concerned, I think it is more than doubtful. But we gladly allow the section to stand, because I do not want anyone to think I have a completely closed mind on the subject. I will consider it. May I say, however, that I have given this question the most earnest consideration for a matter of two or three years. It is not a new question to me, because I have previously given it most earnest and careful consideration.

Mr. GREEN: Probably you made your mind up two years ago; that is the trouble.

Mr. ABBOTT: That is possible. But I have made my mind up on other matters, and while I have sometimes changed it, I have not always done so.

Mr. McKAY: Would the minister like to put it to a free vote of the committee?

Mr. ABBOTT: I am afraid the responsibility of deciding what tax exemptions will and what will not be granted, under the British system must remain the responsibility of the government of the day. My hon. friend knows that as well as I do. That is one way in which our system differs from other systems, including that of the United States. In Canada the government must take the responsibility in matters of this kind. It is not an easy responsibility. A government could popularize itself with these various groups; but I have endeavoured to state the principle upon which this question of total exemption has been viewed. We have occupied an hour and forty minutes in discussing this question of fire-fighters, and I think the suggestion that we allow the resolution to stand is a good one.

Mr. BLACKMORE: Before the minister allows it to stand—

Mr. ABBOTT: I am in the hands of the committee.

Mr. BLACKMORE: We are still in a British country, and in such a country a minister of the crown is responsible to parliament. If a majority of members of parliament desire that a matter be changed, even though it be income tax it should be changed.

Mr. ABBOTT: That is correct.

Mr. BLACKMORE: If it once becomes thoroughly embedded in the minds of hon. members in the opposition that the government is determined to pay no attention to their desires, then members of the opposition will have to consider ways and means.

I wish to say a word or two respecting these fire-fighters, and would associate myself with hon. members who have already spoken concerning them. I have been in contact with members of the fire-fighters, and I know positively that they were assured by General LaFleche, before they left this side, that they would be accorded all the rights and privileges of members of the armed services. I know that for certain. Then we proceed to collect arrears in taxes which the men did not know they owed! When a government calls upon a man to pay two or three years' arrears in taxes, or even one year's when he did not know he owed it, I believe that is worse than fining a man. It is as bad as the old capital levy for which they beheaded at least one king of England.

That matter is worthy of consideration. No government has any right to call upon a man for payment of arrears in taxes, when he did not know he was taxable.

Resolution stands.

The CHAIRMAN: Resolution 19.

Mr. ABBOTT: Might I point out that resolutions 18, 19 and 20 are together, and perhaps we had better consider them in that way. I had them stand before the dinner recess, and perhaps we should let them stand again, unless we are going to pass all three.

The CHAIRMAN: Resolutions 19 and 20 stand.

28. That for 1946 and subsequent taxation years the provision under which the minister may allow double depreciation in respect of plant or equipment built or acquired as a new investment in a period to be fixed by the governor in council be amended to provide that the allowance be made only in respect of such classes of plant or equipment as may be determined by the governor in council.

Mr. KNOWLES: Would the minister explain this resolution, and also state where in the act is to be found the provision that is being changed? Will he also give the committee some idea as to what classes of plant are no longer to get double depreciation and what classes of plant are to continue to get double depreciation?

Mr. ABBOTT: The legislation which will be based on resolution 28 will bring into the law authority to define by order in council the classes of assets in respect of which double depreciation is granted under section 6 (1) (n) (ii) of the act, which reads:

(1) in computing the amount of the profits or gains to be assessed, a deduction shall not be allowed in respect of

(n) depreciation, except such amount as the minister in his discretion may allow, including

(ii) depreciation at not more than double the rates normally allowed in respect of plant or equipment built or acquired in a period to be fixed by the governor in council for the purposes of this paragraph, if the taxpayer is, in the opinion of the minister, making a new investment by building or acquiring the plant or equipment.

Hitherto the classes of assets have been defined by order in council under the authority of the War Measures Act, or, on its expiration, of the transitional powers act, and it is necessary to have continuing authority under the act itself. There will be no change in policy as a result of this amendment, since it merely provides authority for the continuation of the present practice. I am sorry that I have not a copy of the order in council, but the general classes excluded are commercial and business establishments as distinct from manufacturing and industrial establishments.

My hon. friend will recall that the purpose of the section was to encourage the building of new productive facilities during the reconstruction period. On the advice of the minister of reconstruction, it was narrowed down to the classes of assets of manufacturing plants to which I referred. My hon. friend will recall that the minister of reconstruction had to give a certificate to the Department of National Revenue. It might be more satisfactory if I were to have available a copy of the order in council as it now stands so that I could answer questions in detail.

If the committee would care to pass the resolution I would have the order in council available when the bill is brought in. In essence there is no change in the law. We are simply taking the law as it is, which was administered in part by statute and in part by order in council under the War Measures Act which will lapse shortly after the commencement of the next session of parliament.

Mr. HACKETT: I think the matter is one of considerable importance. My recollection is that the measure has been both extended and restricted. I believe that it has been extended to shipbuilding.

Mr. ABBOTT: That is correct.

[Mr. Knowles.]

Mr. HACKETT: That it applies to ships, the approval for the construction of which has been given before December 1, 1947, and which will have been launched by March 31, 1948.

Mr. ABBOTT: The approval must be given before March 31, 1947, and the work completed by March 31, 1948.

Mr. HACKETT: I understand there is some provision that if the work be not completed, priority is allowed on the work accomplished, provided that it has been authorized in the first place.

Mr. ABBOTT: I believe that is right.

Mr. HACKETT: That has to do with extension but I think there have been some restrictions. In so far as I am acquainted with the matter, I am not critical of them, but I believe there is a lack of definition. There is still a vast field of discretion which I imagine will have to be restricted and defined by the statute. One of the questions which arises is whether new investment means new construction. In these days people are buying from War Assets Corporation plants which are costing huge sums of money and which undoubtedly are to be devoted to new purposes. They were used for the purpose of making munitions of war and in the future they will undoubtedly be devoted to the manufacture of peacetime commodities. Is such an investment one which would fall within the resolution, and would such a building, being a new investment, be subject to this double depreciation should the owner so optate?

Mr. ABBOTT: If the asset is within the order. I understand that the restrictions imposed by the order in council on the type of assets which are eligible for double depreciation represent a number of exclusions of assets used in service, distribution, communications and other non-manufacturing industries and also the exclusion of certain assets universally used, such as automobiles and trucks. In general, the double depreciation is granted on fixed assets employed in manufacturing industries. When I have before me a copy of the order in council I shall probably be able to deal more satisfactorily with the inquiries of the hon. member for Stanstead and the hon. member for Winnipeg North Centre.

Mr. HACKETT: If I had not encountered a slight mishap I would have been able to let the minister have a copy of the order in council. My filing system has failed because I changed my coat before coming into the chamber. Would it not be well to let the resolution stand because it is one of considerable importance?

Mr. ABBOTT: Would my hon. friend allow the resolution to pass, and then he could bring up any changes which he might consider desirable to be incorporated when the bill is before us? All we are doing with this resolution is substituting statutory authority for the authority which now exists by virtue of an order in council under the War Measures Act. I do not want to press the point, but I do not believe the position of the house would be prejudiced by allowing the resolution to pass and discussing the matter in detail on the bill itself.

Mr. HACKETT: Would machinery and equipment which had been used for war purposes but which is being converted to peacetime uses be subject to this type of depreciation?

Mr. ABBOTT: I am advised by the deputy minister that, subject to verification by looking at the order, the answer is yes.

Mr. MACDONNELL (Muskoka-Ontario): The resolution refers to classes of plant or equipment as may be determined by the governor in council. Will that discretion be still reserved by the bill?

Mr. ABBOTT: I understand that will still be reserved. This, as the committee will appreciate, is special incentive legislation, and I think it is the type of legislation in which some discretion is desirable in the Minister of Reconstruction and Supply or the governor in council. Questions of shortages of material and of labour are involved.

Mr. HACKETT: I should like to get some information, because the minister will recall that there have been serious clashes, shall I say, between different members of the ministry and great disappointment has resulted to people who thought they were beneficiaries of this principle. I think it is to the knowledge of some members opposite that the certificate of the Minister of Reconstruction and Supply was not always honoured by another minister whose duty it was to see that abundant revenue was collected, and I should like to know if the principle has been refined to such an extent that these clashes of jurisdiction and the disappointment resulting therefrom will be precluded.

Mr. ABBOTT: I do not know whether it would be correct to say that there has been a clash; but the ultimate authority, as my hon. friend knows, and will see by looking at the clause, rests with the Minister of National Revenue.

Mr. HACKETT: There was no doubt where it rested. I think the gentleman who sits before the minister, never had any doubt as to where it rested, but I was thinking of the unfortunate gentlemen who thought when they had the certificate of the Minister of Reconstruction and Supply that they had something more than an illusion.

Mr. ABBOTT: I think every effort should be made to make the order in council as explicit as possible so that the possibility of clash will be minimized.

Mr. MACDONNELL (Muskoka-Ontario): If the minister is still suggesting that this resolution should pass, I must say that I am not quite satisfied. Are we now to shift over from a situation where it was publicly known what classes were included to having a discretion exercised?

Mr. ABBOTT: We are not shifting over. The classes will be determined by order in council, that is true; but that order in council will be published. The only change which is being made here is a change in authority. The authority to pass the order in council to-day is conferred by the War Measures Act, but, if this resolution passes, the authority will be conferred by the Income War Tax Act. That is the only difference. There will be no difference in the way in which the order in council is issued, except in so far as the suggestion of the hon. member for Stanstead were followed. The order in council will be along the lines of the order in council which is issued now under the War Measures Act.

Mr. MACDONNELL (Muskoka-Ontario): Let me persist with one question further. Will there in due course be made public the details referred to here, the classes of plant or equipment, so that it will be publicly known in respect of what classes this double depreciation operates?

Mr. ABBOTT: It is published now and will be made public under the new order in council.

Mr. HACKETT: I am not sure that the minister would feel that the present order in council makes it absolutely clear that eligibility depends upon the nature of the investment or upon the use to which the machinery or plant shall be put. That is a matter of some importance. If the minister could answer that question, I will not ask any more at this point.

Mr. ABBOTT: I find it a little hard to make the distinction, and so do the officials in front of me.

Mr. HACKETT: That is why I asked the question.

Mr. ABBOTT: The nature of the investment will indicate the use to which it is put. If the investment is in a manufacturing plant I do not know that it would make very much difference whether the plant were making hairpins or some other commodity, nails or anything else.

Mr. MacNICOL: It would make a lot of difference if it were making nails just now.

Mr. HACKETT: I will not pursue the question further this evening, but I hope that when the measure is brought down by the minister it will be such as to shed a broad light upon a most important measure which the investing public up to the moment has not had any opportunity of understanding very well.

Mr. McMASTER: We have heard a lot about discretion in the last few days. I can understand the discretion of the minister in interpreting the act. Once that discretion is exercised, it becomes part of the very act itself. Will the legislation that is to be brought down give discretion to the minister as to who will get the benefit of this double depreciation? Will he have discretion to say that one person will get double depreciation and another person in the same business will not?

Mr. ABBOTT: No, he cannot discriminate in that way.

Mr. McMASTER: Will the minister say that wherever this discretion is exercised and somebody gets double depreciation, which is in the nature of a bonus, the facts will be made public? Is this to be kept secret as well as a man's income?

Mr. ABBOTT: I would not think the names of individual taxpayers would be published, together with the amount of depreciation which they have been granted. The so-called discretion of the minister is restricted to the question whether in his opinion the taxpayer is making a new investment by building or acquiring plant or equipment. He passes on that.

Mr. McMASTER: And having passed on it, does it become a matter of public knowledge?

Mr. ABBOTT: The exercise of discretion which is made in the case of any taxpayer does not necessarily mean that the facts shall be made public. I would think that in most cases they would not be. I would think that parliament might ask, as was asked here to-day, how many cases there were in which special depreciation of this kind had been granted and how much the depreciation amounted to, but I would not think it proper to disclose the exact investment of the individual taxpayer. I am thinking aloud, but that is the view I take.

Mr. HACKETT: I am going to ask the minister this final question. He may recall that yesterday I became a little bit agitated because I was, as I thought, being coerced into something. Will a person making this type of investment be forced to take the double depreciation if he does not want to?

Mr. ABBOTT: The answer is no. It may be to his advantage to spread the depreciation forward.

Mr. HACKETT: He still has the option.

Mr. ABBOTT: Yes.

Mr. KNOWLES: It seems to me that one of the points the hon. member for Stanstead is making is valid, namely, that the purpose of the plant has some signficance. As I recall, the Minister of Reconstruction and Supply the other day referred to the decision of the government to continue double depreciation for plants engaged in producing materials required in the construction of homes, which is a matter of considerable social importance at the present time. It is along that line that I suggest that the act itself should contain some of the principles at present in the order in council, which has been in existence for some time. The government has had experience and knows all the facts, and I would hope that it might be more specific in the legislation than appears to be the case at the present time.

Mr. ABBOTT: I will take into consideration the suggestion which the hon. member and others have made along the same line.

Resolution agreed to.

29. That the deduction in respect of income for a taxation year ending between the last day of December, 1942, and the first day of the year of expenditure in respect of one-half of expenditures made,

(a) in connection with maintenance or repairs by a taxpayer carrying on a business, or

(b) on underground development by a taxpayer operating a mine,

in a period to be fixed by the governor in council, be restricted to an amount,

(c) if the year for deduction is the 1946 taxation year not greater than the taxpayer's excess profit in that year as defined for the purposes of the Excess Profits Tax Act, 1940, or

(d) if the year for deduction is a taxation year prior to 1946, not greater than the taxpayer's profits in the said year above the point

at which the tax calculated for the said year under the first part of the second schedule to the Excess Profits Tax Act, 1940, was equal to the tax calculated for the said year under the second part of the second schedule to the said act,

and that no such deduction be allowed in respect of the income for a taxation year commencing after 1946.

Mr. ABBOTT: This is perhaps a complicated provision. The legislation to be based on this resolution relates to the provisions which were announced in the 1944 budget dealing with deferred maintenance and repairs. It will be recalled that at that time an amendment was enacted to allow one-half the expenditures incurred in a period to be designated by the governor in council to be charged against the income of a previous fiscal period ending in a year not earlier than 1943. As yet the period in which expenditures incurred would be eligible under this provision has not been named, and the purpose of the legislation to be based on the resolution is to restrict the application of this carry-back when it becomes effective to income that was subject to tax at the rate applying to excess profits in the years 1943 to 1946. As the committee will understand, the flat rate of corporation income tax will be reduced by the budget proposals from 40 to 30 per cent and the excess profits tax rate from 20 to 15 per cent, effective January 1, 1947.

It will be immediately apparent, therefore, that any corporation paying only the 30 per cent rate of corporation tax in the future would automatically gain by carrying back an expenditure to a previous year when it paid only the minimum 40 per cent rate of combined tax. I would point out also that this gain would arise solely because the naming of the period in which the expenditures are eligible may be incurred, concerning which I wish to make a statement later on, has been delayed to a time later than was contemplated when this legislation was introduced in 1944.

I would also point out that the case for this measure was argued at a time when the 100 per cent rate of excess profits tax was in effect and that profits subject to this tax were asserted to be artificially high in many businesses because the normal costs for maintenance and repairs, impossible to undertake during war time, were missing.

I believe I am correct in saying that it was never in the government's mind that companies not subject to the excess profits tax rate would in general benefit from this special carry-back provision; and I may add that when I used the term "excess profits tax rate" I refer to the 100 per cent rate and the 60 per cent rate of last year.

We are, however, now faced with a situation in which many companies which have never paid the excess profits tax rate would receive a benefit owing to the necessity placed on the government, in fulfilling this obligation under the wartime tax agreements with the provinces, of reducing its corporation tax by ten per cent. Such companies would receive benefits which were never intended at the time the legislation was introduced and which would not arise except for the unforeseen necessity of postponing the period for an indefinite time. In the light of the above circumstances, it is proposed that the benefit of this provision, when it comes into operation, shall be limited to those business concerns which have paid tax under the rate applicable to excess profits.

I should like the committee and the business community at large to appreciate the difficult position in which the government has found itself in regard to the question of naming the period required to give effect to this measure. On the one hand, we have been pressed by businesses which have found it impossible to postpone their rehabilitation programmes any longer, asking us to name the period immediately in order that their expenditures may qualify; and, on the other hand, because of the serious shortage of materials and equipment, we have been pressed to delay the period until more ample supplies will allow business generally to receive the maximum advantage from its operation.

The government itself has also been faced with the responsibility of avoiding as far as possible any action that would place an additional strain on the acute situation with respect to building materials and accentuate shortages which have already seriously interfered with the housing programme in particular.

While the government has realized that in circumstances where it has been impossible further to postpone maintenance and repair expenditures deferred during war years, the fact that the period has not yet been named will mean a loss of benefit which would have been available were the period now in effect, it has not regarded it as in the general public interest to take any step which would place any added strain on the supply situation.

This matter, I may say, has been under review from time to time and will continue to be given constant consideration, but I regret that it is not yet deemed expedient to bring this measure into effect, nor is it pos-

sible in the present outlook to give any assurance as to when it will be proclaimed, apart from the assurance that it will be delayed no longer than is necessitated by the exigencies of the supply situation.

Mr. ADAMSON: I understand that this measure, which is splendidly complicated in its language, is not actually in effect and the period has not been named in which it is likely to come into effect. I have a suggestion to make to the minister with regard to mining in particular. Owing to the condition of the structures of the mines in Canada, particularly the workings underground, many mines have during the war done practically no exploration and have been in many ways seriously depleted when there was a tremendous demand for metal for production. The normal processes of mining were not carried on; probably the normal processes of a great many other businesses were in the same condition, and the structures and physical assets of the companies were not kept up in the way in which they should have been under normal business practice. I realize the difficulty the minister has in proclaiming a set period. What would be wrong with having the period optional to each individual concerned? Would that produce a chaotic situation. Some of the companies need the relief probably sooner than others. Some are now facing a critical situation in consequence of their depleted and deteriorated physical structures. Would it not be possible to allow some of the companies to take a period which was optional to them?

Mr. ABBOTT: I shall look into the question raised by my hon. friend. As he will appreciate, the legislation recognizes the fact that concerns which were earning high profits were unable to make their normal maintenance and repairs. By reason of that fact their profits were greater than they would otherwise be. The thought behind the legislation was that in a period shortly after the war it would be desired to stimulate production, encourage the making of these repairs, and that the government would then fix a period when the supply situation was such as to enable that to be done without interfering with other national activities, and that the benefit could then be taken back into the years referred to in the act. Whether it would be possible to make it optional or not with the individual company, I will not say at the moment, but I think it unlikely. As matters stand at present, I do not need to tell hon. members that materials and labour generally are in short supply and that, therefore, this is not the time when we want to encourage the making of these expenditures.

Mr. ADAMSON: I realize that this is not the time to encourage the making of these expenditures, but a number of industries are being driven to a more and more deteriorated state, and their efficiency is suffering because of the deteriorated state into which their plant has fallen.

I gather that the resolution affects only concerns or corporations which were paying the excess profits tax when it was 100 per cent. Is that not right?

Mr. ABBOTT: That is right, or when it was 60 per cent.

Mr. ADAMSON: But it will not affect concerns which pay the excess profits tax under the present—

Mr. ABBOTT: Not concerns which paid what I might loosely describe as the normal rate of 40 per cent.

Mr. ADAMSON: It is difficult to say how many mines will be affected at the present time, some of which definitely went out and practised extremely bad mining practice in which they just took out their high-grade ore, and now find themselves in an extremely bad condition. When production was necessary they mined their high-grade veins and left their low-grade veins behind, and in some cases made really abnormal profits.

If the minister will look at the profits statement of a great many corporations in the last year he will find a considerable decrease in the profits made by many corporations, particularly mining corporations. I am not speaking now of the recent effect of parity; I am speaking of the conditions which accrued even before parity, because some of the mines have been forced to go back and put their properties into shape in order to carry on their business. Profits have fallen considerably, and I point out to the minister that in an operation such as mining these repairs or this rehabilitation of property must go on in order that the mine may continue. I assume that a great number of other concerns must be placed in the same position. Take a concern which has a steam boiler which has been used during the war and is still being used, but perhaps is not as safe as it should be. In a case like that, the concern should be given an opportunity to appeal or make its case optional before the government. There is every possibility that the building situation, the material situation, and the steel situation will get worse rather than better. We have to look at that. Perhaps I realize that better than anybody in the committee because I am trying to build a house at the present time. Therefore I know what the situation with regard to building material

really is. There are many concerns in Canada to-day which find themselves definitely in a critical situation with regard to their physical plant, and some consideration should be given to making this resolution and the period when it becomes operative optional, and to give these concerns which find themselves, in common parlance, behind the eight ball, an opportunity of getting relief.

Mr. ABBOTT: As my hon. friend has pointed out, this resolution affects only those concerns which are in the 100 per cent excess profits tax bracket, or which paid excess profits taxes at the rate of 60 per cent. I am told that it would not affect many gold mines, because there were almost none in that category, although I have no doubt that there were some base metal mines.

I shall give consideration to the points raised by the hon. member, but I think it would be most undesirable to attempt to put it on a basis of selectivity or to try to give the minister the discretion to decide which company should get it and at which period. However, I shall give consideration to the points which have been raised by the hon. member for York West.

Mr. HACKETT: I have a question that I want to ask, but before asking it may I say that I believe that a number of base metal mines find themselves in a difficult position because they responded, as the hon. member for York West has said, to the great demand for base metals. They took out the ore of the higher grades and did great damage to the mine as a business. There is something comparable to repairs which have to be made before a mine can be operated effectively and economically. I do not see any provision in the resolutions for that damage which was done for other than business reasons. The chief and only inspiration to do as the mine owners did, was to increase production, which meant nothing to them, because, as the minister has said, many of them were in the categories wherein 100 per cent of their profits were taxable. Has any provision been made for the rehabilitation of these great sources of employment and wealth?

Mr. ABBOTT: I agree with what my hon. friend has said, that a great many of these base metal mines did accelerate production, and by doing so did accelerate the depreciation of the plant and equipment. There were a number of cases in which special agreements were made with mines for the crown to grant them accelerated depreciation, but other than that there is no special provision. As I pointed out in my remarks a little earlier, the government realizes there are cases in which it will be impossible for certain manufacturers or mine operators further to postpone the making of long-deferred maintenance repairs and replacements. As I also said, that will mean a loss of benefit to these firms; but it is still felt that, in the interests of the public generally and the manufacturers generally who would be entitled to avail themselves of this, the time has not yet come when a period can be designated within which expenditures for such deferred maintenance and repairs can be availed of as a charge back to previous years.

Mr. HACKETT: I wanted to ask this question, dealing with a large class of companies whose operations were almost suspended during the war. They did nothing, or practically nothing; they earned no profits or in any event not sufficient profits to maintain their equipment. Now that business has come back, they find themselves confronted with this difficulty. Either they must not accept work or they must buy new equipment, which is not going to be provided for by depreciation or anything of that kind. I am speaking now of equipment which has stood idle for five or six or seven years. I shall give the minister a typical company of the kind I have in mind, a road building company. They have done nothing; their equipment has rusted and rotted. To-day the work comes in and the equipment has to be renewed. How are they to do it? It will not be a proper charge against earnings, and I do not find anything in the act or in the resolutions to meet that situation. It seems to me that this is a practical question and one of which the deputy has had probably a number of instances placed before him.

Mr. ABBOTT: That, of course, is perfectly true, as no one knows better than my hon. friend; but depreciation is only of value to a taxpayer if he has profits against which to write off the depreciation. I have no doubt the road building companies are an excellent example of concerns whose plant and equipment depreciated during the war period, when there were no earnings against which depreciation could be written off. But as far as I know there is nothing in the law which would allow them to take depreciation to-day which they could have taken in previous years, and I do not think there is any intention of introducing such a provision. This measure, as my hon. friend knows, and as I indicated earlier, was intended to help the man whose profits were swollen if anything by reason of the fact that he was not able to make normal maintenance and repairs; to enable him to make them at a later date and charge them back into that period of very high taxation.

Mr. HACKETT: But to promote employment I thought it might be a matter of policy which the government would like to explore. If the replacement of this machinery could be made a first charge upon profits up to an amount which the government might think reasonable, I am sure it would promote business activity and employment and the general well-being of large sections of the community.

Mr. McMASTER: I was very glad to hear that in the past there were some companies who did not manage to spend considerable sums out of their excess profits instead of the money going to the government. I did not know that such companies existed. But I cannot see why a company that had excess profits would not write off depreciation. No doubt they did write it off, and they have that depreciation in their hands right now. It is real money.

Mr. ABBOTT: I had better clear up this point. We did get into a discussion of depreciation, but this section has nothing to do with depreciation. This relates to deferred maintenance, what would have been ordinary operating expenses of the concern and chargeable as such, but which they were not able to make because of the shortage of materials or shortage of labour or otherwise.

Mr. McMASTER: But I was going to get into the question of depreciation anyway; the hon. member for Stanstead was holding me back.

Mr. ABBOTT: Having allowed the hon. member for Stanstead to speak on it, I suppose I must allow my hon. friend to do so, though it is not under this resolution.

Mr. McMASTER: I am not speaking about mines. I do not know anything about them except that they are things you get money out of and things some people put money into which they never get back. I am speaking of this broad section. As I understand it, you are only going to allow any money they will spend in the future out of the excess profits the government got out of them in the good years, when they had swollen profits. If they did not have profits, then depreciation was not allowed. Depreciation is written off because some day you are going to have to replace the capital structure, or some part of it, and for that you use this depreciation, which is actually money in your hands. Then, what other concession should they have than the privilege of using this money which they kept back from the government and have in their hands to-day? If you start giving back 100 per cent excess profits I think you should do so in such a way that everyone would get his share. Under the Excess Profits Tax Act a small business was prevented from making any advance at all because of the low base. Those people from whom you took excess profits equal to perhaps five or six times their whole capital structure should receive some consideration. I should like the minister to explain why the companies the government is going to help are the companies that had excess profits and the companies that have in their hands the depreciation with which to make the necessary repairs.

Mr. ABBOTT: I shall be glad to do what I can to explain to my hon. friend the point he has raised, though, if he will allow me to say so, it has nothing to do with this resolution, which relates to a provision that has been on the statute books since 1944. As I explained in my opening statement, this regulation made provision for the case of the concern which during the war years was not able to make its normal, ordinary maintenance expenditures. Companies of that kind, who thereby had their profits increased beyond what they would have been under ordinary normal business practice, can do that later. Take the case of a concern—

Mr. JACKMAN: The railways.

Mr. ABBOTT: I shall take a smaller example. Take a concern which normally would earn $50,000 a year and which normally would spend $10,000 in regular, proper repairs and maintenance. During the war years, because of shortage of materials and labour shortage, it was not able to spend that $10,000. What was the effect? Its profits were increased from $50,000 to $60,000. Ordinarily, if it could have obtained the materials or the men it would have made those everyday, regular, normal repairs. It could not do that, so that its profits were artificially increased, if I may so describe it, by reason of those circumstances. It was recognized that there was a hardship there, and we said to those companies, "If you make those deferred maintenance and repairs after the period of scarcity is over, in a period which is designated by the government, we will allow you to charge them, to the extent of one half, back into those years, from 1943 to 1946 when you would normally have made them." That is all.

Under the proposed resolution we restrict that privilege, if I may call it that, to taxpayers that were big profit earners during the period of the war, companies which, as I said, were in the 100 per cent bracket, or who paid the 60 per cent rate. The only difficulty we

are in at the present time is that, because of the shortage of materials and of labour which still exists, we cannot designate a period yet within which those who are eligible may avail themselves of that right. It has nothing whatever to do with depreciation.

Mr. McMASTER: I do not see how it can be dissociated from depreciation. The income tax branch will disallow everything that is not ordinary repairs. The cost of other than ordinary repairs is taken out of depreciation account. If they do not spend it there, there will be the usual allowance for depreciation. They get the same benefit by depreciation that they would have got by spending the money on what are capital repairs, and the money allowed for depreciation is still in their hands.

Mr. ABBOTT: The answer is no. My hon. friend should appreciate that one cannot take out of depreciation reserve expenditures for maintenance and repairs. Expenditures for maintenance and repairs are current operating charges. Amounts which are set aside in depreciation reserve are a capital charge. They are a charge against profit, it is true, but they are set up in a depreciation reserve in order to provide a return of capital to the taxpayer. On the other hand, expenditures for maintenance and repairs are current day-to-day, week-to-week, month-to-month, year-to-year operating expenses.

Mr. McMASTER: Even machinery is depreciated on a basis allowed by the department. They cannot go and buy new machinery or repair it, except through this depreciation fund; at least the income tax officials never allowed my clients to do so.

Mr. MACDONNELL (Muskoka-Ontario): What bothers me is that it seems to me—and I am going back to the suggestion made by the hon. member for York West—that it might be done at a time to be chosen by the company; because as the minister has indicated, the relief they propose to give is limited to a certain time, and it is by no means certain that a company will be able to take advantage of it in that time. That will depend, as I see it, upon the circumstances of each particular company. If, as pointed out by the minister, this is advantageous, I am not clear as to why it need necessarily be confined wholly to the 100 per cent or 60 per cent excess profits tax company.

Mr. ABBOTT: Because, as I said in my preliminary statement, it was never intended to benefit any other taxpayer. The justification for it, as my hon. friend will see if he looks at the debates, was that the companies in question were in effect having taken away from them 100 per cent of amounts which otherwise they would have expended on maintenance and repairs.

Mr. McMASTER: Would the minister give us the section of the act where that is indicated?

Mr. ABBOTT: Yes, it is section 5 (v) which says:

> In respect of income for a taxation year ending between the last day of December, one thousand nine hundred and forty-two and the first day of the year of expenditure, not more than one-half of expenditures made
>
> (i) in connection with maintenance and repairs by a taxpayer carrying on a business, or
>
> (ii) on underground development by a taxpayer operating a mine, in a period to be fixed by the governor in council for the purposes of this paragraph but the taxpayer may not deduct from his income for the year of expenditure, in respect of maintenance and repairs or underground development, more than the amount by which the expenditures made with respect thereto in that year exceed the amount deducted in a previous year or years in respect thereof under this paragraph.

That is to be amended in the way indicated in the resolution now before the committee.

Mr. ADAMSON: One thing more. Our hypothetical company makes $50,000 a year and puts $10,000 into normal operating repairs. Now it makes $60,000. The $10,000 is 100 per cent gone; the government has got it. Now their machinery is depleted, and they are in a mess. I am not clear as to how exactly they will take the recoup for the expenditure of the $10,000 for three or four years—and incidentally it will perhaps be more than that, because of present increased prices. How do they get it back? What is the machinery for getting that back?

Mr. ABBOTT: I would say that $5,000 of the $10,000 could be carried back into 1943, and charged there. In other words, the company's return would be reopened for 1943, and it would get an appropriate refund of taxes.

Mr. ADAMSON: But not in 1942.

Mr. ABBOTT: No, not in 1942.

Mr. ADAMSON: But in 1943, 1944 and 1945?

Mr. ABBOTT: And 1946.

Mr. ADAMSON: Only 60 per cent in 1946, though?

Mr. ABBOTT: Yes, it could be deducted from income in 1946. The rate in 1946 is only 60 per cent.

Mr. ADAMSON: But in their income tax, they can take their income tax and excess profits tax statement for 1943, go to the deputy minister and say, "I want 50 per cent of this back, because I have to repair my machinery"?

Mr. ABBOTT: That is correct, provided that they make the repairs within the period which will ultimately be designated.

Mr. ADAMSON: And which has not yet been named?

Mr. ABBOTT: Correct.

Mr. McMASTER: In the bill which will eventually come forward will there be some means of designating those who are entitled to this, or will it be another case of the discretion of the minister?

Mr. ABBOTT: Everybody will be entitled to it who was in that tax bracket during those years. There is no question of discretion there.

Mr. ZAPLITNY: I understand that provisions in legislation arising out of this will be restricted to a certain select group of companies. That is the impression I got from what the minister said. I want to know upon what criterion that will be measured. What rules will apply as to who shall or who shall not be eligible, or is there a list of companies to which we can refer.

Mr. ABBOTT: They are all listed in the resolution. The class is clearly designated. The expenditure must be in connection with maintenance or repairs by a taxpayer carrying on a business, or on underground development by a taxpayer operating a mine; and they must be companies which—speaking as I did colloquially—were in the 100 per cent excess profits tax bracket in the years 1943, 1944, or 1945, or the 60 per cent excess profits tax in 1946. I have explained once or twice why it is restricted to that class. It is restrictive. If it were extended to other companies, say, which paid only at the 40 per cent rate, it would be a benefit extended to those companies which it was never intended they should have. But there is no discretion in the minister as to who will get the benefit and who will not.

Mr. ZAPLITNY: But it is restricted to companies or businesses as designated in this resolution?

Mr. ABBOTT: Yes.

Mr. ZAPLITNY: What I should like to know is why it was restricted to that? For instance, farmers are in the same position as some of these companies.

[Mr. Abbott.]

Mr. ABBOTT: It is not restricted to an industrial enterprise. It extends to agriculture, too. If an agriculturist was in the 100 per cent excess profits tax bracket, and paid excess profits tax and was not able to make the normal maintenance and repairs—or even if he did—he could take benefit of the section. I am glad the hon. member brought that up, because it is not restricted. It is the taxpayers who are subject to the provisions of the Excess Profits Tax Act. I understand there were some farmers who came within that act.

Resolution agreed to.

Mr. ABBOTT: I would ask that the resolutions 30 to 35 inclusive be allowed to stand.

36. That no interest shall be payable on unpaid taxes upon income of the 1945 or a subsequent taxation year in respect of a period commencing twenty months after the day fixed for filing the return for the taxation year and ending one month after the sending of the notice of assessment.

Mr. ABBOTT: The effect of this resolution is to provide that where no assessment has been made in respect of a taxation year at the end of a period of twenty months following the date for filing returns for that year interest on any unpaid taxes will cease to accumulate after the end of the twentieth month and will not commence to accrue until one month after an assessment has been made.

Mr. KNOWLES: I gather that this change is being proposed in view of protests which have accumulated during the last few years. As hon. members will know, the department has had so much work to do that the time taken to assess returns has extended considerably. A taxpayer who inadvertently may not have made out his return correctly has not liked having to pay interest for a long period of time because of the time taken by the department to assess the return. It seems to me that the department has admitted the validity of the protests that have been made by fixing an arbitrary period beyond which such interest would not be paid. In other words, the government is saying that the department should make assessments within at least a year and eight months after the filing date. It seems to me that, that admission having been made, it strengthens our case for suggesting that the period should be shorter.

I know the other argument presented by the Minister of Finance, namely, that people should make out their returns correctly and that it should not be possible to save interest at the expense of the government. Surely a

period of something less than twenty months should be sufficient penalty for a taxpayer who is doing this sort of thing deliberately, and in the interest of the average taxpayer who tries to make out his return correctly I suggest that the period should be shorter than twenty months.

Resolution agreed to.

37. That the provision for payment of interest by corporations on the amount of taxes unpaid after payment of instalments of estimated tax commencing six months after the end of the taxation year be amended to require payment of interest on the said unpaid amount from the end of the taxation year.

Resolution agreed to.

EXCESS PROFITS TAX ACT

Resolved, that it is expedient to amend the Excess Profits Tax Act, 1940, and to provide:

1. That the provision for taxation of excess profits of every person residing or ordinarily resident in Canada be amended to exclude therefrom in respect of excess profits earned after December 31, 1946, persons other than corporations or joint stock companies and to reduce the rate of tax on excess profits earned after December 31, 1946, from 20 per cent to 15 per cent.

2. That with respect to profits earned after December 31, 1946, the provision for taxation of profits of every corporation or joint stock company be repealed.

3. That for the 1947 and subsequent taxation years investment corporations that have outstanding bonds, debentures or other securities evidencing funded indebtedness be exempt from excess profits tax.

Mr. ABBOTT: The first resolution proposes two things, first, that the rate of tax on excess profits earned after December 31, 1946 be reduced from 20 per cent to 15 per cent and, second, it exempts completely from the excess profits tax the profits of partnerships and sole proprietors as from January 1, 1947.

The second resolution repeals the flat rate tax on total profits as distinct from the rate of tax on excess profits with respect to earnings of 1947. At present the tax on total profits under the Excess Profits Tax Act is 22 per cent which, together with the 18 per cent under the Income War Tax Act, makes the 40 per cent flat rate. Concurrent with the repeal of this 22 per cent rate, the 18 per cent rate is being increased to 30 per cent. These two amendments taken together give effect to the undertaking under the provincial wartime agreements that the dominion would reduce the tax on corporate incomes by ten per cent of such income.

The third resolution provides for a minor amendment dealing with investment trusts and is in line with the amendments in connection with the Income War Tax Act. It grants exemption from excess profits tax to all investment trusts, regardless of whether or not they have bonds outstanding. At present the exemption is limited to those who do not have bonds outstanding, and this is to give comparable treatment to the two classes of trust.

Mr. MACDONNELL (Muskoka-Ontario): My understanding is that it remains indefinite; in other words, it continues from the end of 1946, the only difference being that it is 15 per cent instead of 20 per cent?

Mr. ABBOTT: That is correct.

Mr. MACDONNELL (Muskoka-Ontario): I should like to draw attention to one or two things.

Mr. ABBOTT: Sole proprietors and partnerships are out.

Mr. MACDONNELL (Muskoka-Ontario): I want to refer to just one or two things said by the minister last October and again this year. I am referring to this matter purely as an employment measure. The Minister of Finance said that we should not rely too much on employment remaining as it is now, that we should think of everything that would possibly stimulate employment. I think that is generally recognized, and I wish to quote the minister on the point that the great objection to the 100 per cent excess was that it put no premium on efficiency. In fact, it almost put a premium on inefficiency. The Minister of Finance is reported on page 1004 of *Hansard* of October 12, 1945, as follows:

> The Excess Profits Tax Act is a war measure which has commanded overwhelming support as an important and necesary instrument of war finance. Unmodified, it seriously weakens the stimulus toward the investment of capital and the efficient operation of enterprises. In this period of reconstruction it is becoming a barrier to expanding employment.

As reported later on the same page, the minister said:

> There is widespread evidence that incentive is being stifled and that ordinary prudence in the making of business expenditures has been seriously weakened.

Speaking on June 17 of this year, as reported on page 2919 of *Hansard,* the minister said this:

> I had hoped to be able to announce in this budget the repeal of the Excess Profits Tax Act in its entirety, effective as of January 1, 1947. As I explained last year, this tax was designed as a war measure and has received overwhelming support as a necessary instrument of war finance, but it has distinct weaknesses and limitations in normal times and is not to be accepted as a permanent part of our tax structure.

Then the minister went on to give as his reason for not dealing with it, which to me is one of the most unconvincing statements I have ever heard from the Minister of Finance:

Experience, however, has shown that we are still living in highly abnormal times, the shadow of the war is still upon us, and as I have shown the financial burdens on the dominion budget arising out of the war are still of huge proportions. After careful consideration the government has reached the conclusion that the act should stay on the statute books for another year unless provision is made at the next session of parliament for its earlier repeal.

I want to emphasize that I am talking about this as an employment measure. I know I am running the risk of some saying, "Oh, you are thinking of the corporations." I am just using the minister's words which, I think, are wise and sound. I contend that the conclusion which the government has arrived at is entirely contrary to all the argument made by the minister, and I think it is a great mistake.

Mr. ABBOTT: I am glad my hon. friend very properly emphasized the word "unmodified" when he quoted the minister's speech.

Mr. KNOWLES: There are two comments I should like to make. First, despite what the hon. member for Muskoka-Ontario has just said, I cannot but recall how rapidly the Excess Profits Tax Act has been modified since the end of the war as compared with the deaf ear we get when we try to plead the cause of personal income taxpayers in the lower brackets.

Mr. FLEMING: I think the committee would value the hon. member's opinion on the fact that the United Kingdom abolished their Excess Profits Tax Act entirely with a view to stimulating employment.

Mr. KNOWLES: We have gone over that before, but we can go over it again if it is thought desirable. One has to take the total economy into consideration. One has to consider the entire tax set-up; the situation in Britain, the shortages they have because of what they went through in the war, and the social security measures that have been brought down in that country. I am suggesting that we do what my hon. friends have proposed time and again, namely, make comparisons within our own country and on the basis of what is possible here. And what does seem obvious here is that this government in the space of two years is able to bring about drastic modifications in the excess profits tax as compared with the modifications we have had in the personal income tax.

[Mr. Macdonnell.]

The other thing I would suggest is this. The Minister of Finance in his budget speech made reference in his closing paragraph to the general belief that we as Canadians can do just as great things in time of peace as we did in time of war. I suggest that there is a sense in which our objectives are parallel, namely, high production, and part of the way to achieve high production is to make sure that the results of production are put to social use. That comes about, not by facilitating the piling up of huge profits, but by using such instruments as are at our command to distribute properly wealth. On that basis the government has already gone far enough, if not too far, in the reductions it has made in this particular tax.

Mr. JACKMAN: The minister, in making his reply in the budget debate, mentioned that some on this side—and I think he had reference to myself among others—had said that the retention of this excess profits tax, even though it is lowered slightly, was a great discouragement to production. He attacked that contention; and after reviewing the situation in Canada, where we have 30 per cent normal tax, and 5 per cent likely to be added by the provinces, and then 15 per cent excess profits tax, giving 50 per cent altogether—

Mr. ABBOTT: No; 15 per cent on the excess over 116⅔ of standard, not on all profits. That is an important difference. It is not 50 per cent on all profits.

Mr. JACKMAN: The basic rate is—

Mr. ABBOTT: Where the province imposes a tax the tax is 35 per cent on profits up to 116⅔ of standard and 15 per cent on the excess. In most cases that would work out at an average rate of about 38 per cent.

Mr. JACKMAN: That is the mistake which I believe the Minister and his advisers have fallen into. What I am suggesting is that on the excess profits—define them as you like, 100 per cent or 116⅔—the effective tax rate will be 50 per cent. Is that correct?

Mr. ABBOTT: That is correct, but only on the excess. On 116⅔ of standard the tax will be 30 or 35 per cent.

Mr. JACKMAN: In this country it will be 50 per cent as against 38 per cent in the United States, and a still smaller rate on the smaller corporations, which fact the minister did not mention. The two examples I gave the minister were these. A company in the United States having a branch plant in Canada can arrange to do its export business from the parent plant across the line, or it can do its export business from its branch in Canada. If it does

so much business, we will call it X, in the United States, and it also does X business in Canada, there is still its foreign trade business, which is additional to the ordinary business carried on domestically in both countries. If that company finds that the tax rate in the United States is 38 per cent on the foreign end of the business, and that the tax rate in Canada is 50 per cent, it is quite obvious where the business is going to be done.

Mr. ABBOTT: It cannot be 50 per cent in Canada.

Mr. JACKMAN: It can be and you have just admitted it.

Mr. ABBOTT: Only on a relatively small proportion of the profits.

Mr. JACKMAN: That is where the minister and his advisers make their cardinal mistake. I am not suggesting what the general rate of taxation is. All I am interested in is in getting the additional business. I am not thinkabout the average business but about the additional business, and the rate of taxation on that additional business is 50 per cent in Canada, whereas in the United States the rate remains at the flat corporation rate, which we will take as 38 per cent. So that there is no question where the additional business is going to be done. If, not the average business, but the additional business is produced in the United States the rate of taxation is 38 per cent. If the additional business is done here the rate is 50 per cent. It seems to me clear that the minister and his advisers have fallen into a complete lack of business foresight in not grasping that the average rate is of no consequence in regard to the extra foreign business we are trying to get. It is the rate on the last unit of business which counts, the rate here in Canada as against the rate in the United States, and I am saying that there is a twelve per cent differential, that the retained profit is twelve per cent higher in the United States and therefore the additional business is certainly going to be done there.

I mentioned also the example of a Canadian company, a great friend of the government, which was endeavouring to do some export business to Newfoundland and had the trade pretty well lined up. Then an American competitor came in and, because he had a larger retained profit, he was able to quote a closer price and get the business. We are not interested in the average tax rate on all the business of a Canadian company. That is all right for theorists to be interested in, but not practical business men who, if they have an opportunity to do additional business through a United States plant or a Canadian plant and the rate in the case of the United States plant is 38 per cent and in the case of the Canadian plant 50 per cent, will certainly have it done in the United States. The result of this retention of the excess profits tax on our Canadian economy, perhaps not so much now when we have employment and are doing fairly well in production, but in the future will be to deprive our manufacturers of just what is required in the way of incentive and providing employment for our people.

Resolution reported, read the second time and concurred in.

THE ROYAL ASSENT

Mr. SPEAKER: I have the honour to inform the house that I have received the following communication:

Government House,
Ottawa, July 25, 1946.

Sir,—I have the honour to inform you that the Hon. Thibaudeau Rinfret, Chief Justice of Canada, acting as deputy of His Excellency the Governor General, will proceed to the Senate chamber on Friday, July 26 at 3 p.m., for the purpose of giving the royal assent to certain bills.

I have the honour to be,
Sir,
Your obedient servant,
F. L. C. Pereira,
Assistant Secretary to the Governor General.

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

Friday, July 26, 1946

The house met at eleven o'clock.

PRIVILEGE

MR. COLDWELL—REFERENCE TO ARTICLE IN OTTAWA "JOURNAL" OF JULY 25

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, I rise on a matter of personal privilege. In the five o'clock edition of the Ottawa *Journal* of yesterday's date the story appears on the front page, headed: "House Sustains Speaker's Ruling to Bar Questions." Referring to myself the article states:

While he asked for and was refused an explanation of the ruling, CC.F. leader Coldwell headed his followers in voting with the Liberals to uphold the Speaker.

Later in the article, on page 14, again in reference to myself, it states:

Mr. Coldwell, who had protested against C.C.F. questions being dropped from the order paper and then restored without explanation, asked for further information.

"Will you please make your ruling clear?" he asked Dr. Fauteux.

"The ruling is quite clear," replied the Speaker.

Denied a fuller explanation, Mr. Graydon appealed.

This obviously is an incorrect and garbled account of what actually took place. I have consulted the official record—and may I interject just here, Mr. Speaker, also perhaps another matter of personal privilege, that it is unfortunate we are not receiving *Hansard* in time to check it before the house meets. I had to go to the office of *Hansard* and consult the record there. I think every attempt should be made by the Secretary of State and by the king's printer to improve the service in this house which is required in the circumstances. But I quote from the official record:

Mr. Coldwell: Would Your Honour make the ruling clear? I did not understand your ruling as the hon. member for Peel (Mr. Graydon) seems to interpret it. My understanding is that questions will be permitted on the order paper when the subject matter of these questions is not referred specifically to a committee, which makes all the difference in the world.

Mr. Mackenzie: That is right.

Mr. Coldwell: I think that is a ruling which the house should substantiate because I think it is a correct one.

Mr. Speaker: The hon. gentleman is perfectly right, and for the information of the house I shall read the conclusion of my remarks:

"In conclusion, I think it is, generally speaking, a wise rule that provides that while a committee is inquiring into a matter the house will not encroach on its jurisdiction by allowing the same matter to be discussed in the house, but members must not be debarred from seeking information by placing on the order paper questions which are not debatable and do not give rise to discussions As long as these questions do not deal with the very specific matters referred to, they should be permitted to appear on the order paper."

That is the official report. It is to be regretted that the Ottawa *Journal* which, for many years, had a reputation for accuracy, should on several occasions of late—

Mr. GRAYDON: It still has.

Mr. ROSS (Souris): It still has.

Mr. COLDWELL: —have published stories which bear little or no resemblance to what actually took place in this house.

Before I sit down I wish merely to add that, as I stated yesterday, in my opinion the explanation given was a correct interpretation of the rule, and on that ground we voted to sustain your ruling, Mr. Speaker.

Mr. ROSS (Souris): It is always difficult to sit on both sides of the fence.

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs): I wish to rise to a question of privilege. I have a certain amount, a somewhat humble amount, of responsibility in regard to the activities of this house, and I found it my duty yesterday to vote against His Honour's decision. I am profoundly convinced that my decision was correct. I say that whereas you cannot discuss the proceedings of a committee until the committee has reported back to the house, there is no impairment or impediment to any freely elected member of the parliament of Canada in discussing any matter referred to a committee. The house will recall that earlier this session the hon. member for Souris (Mr. Ross) asked me if any questions referred to the committee on veterans affairs could be discussed in this house, and I immediately consented.

Mr. SPEAKER: Order.

Mr. MACKENZIE: This is a question of privilege, and I am entitled to explain my position in this house.

Some hon. MEMBERS: Hear, hear.

Mr. SPEAKER: Order.

Mr. MACKENZIE: With all respect to you, sir, I am not going to be compelled to sit down in regard to any matter which as a private member for Vancouver Centre I am entitled to refer to in this house. I insist on my question of privilege, and I am not going to be bound by any archaic rules of the eighteenth or nineteenth century.

Mr. SPEAKER: I would ask the minister to be kind enough to resume his seat. I am not questioning the right of the hon. gentleman to rise on a question of privilege. He may rise at any time; that is the privilege of the hon. minister and of all other hon. members. But I wonder if I should permit the hon. gentleman or any other hon. member to discuss or debate the ruling that was given yesterday.

Mr. MACKENZIE: That is quite correct, Mr. Speaker, and with all respect I was not questioning your ruling at all. I was trying to explain the stand I had to take as a matter of conscientious duty as a member of this house.

Hon. PAUL MARTIN (Secretary of State): In the course of his remarks the hon. member for Rosetown-Biggar (Mr. Coldwell) suggested that perhaps the king's printer was not acting with dispatch in the printing of *Hansard*. As the responsible minister I should say that I think on reflection the hon. member will realize that the king's printer and his staff are working under very difficult conditions.

The house is now meeting in the morning. When the house met at three o'clock in the afternoon *Hansard* was always available to hon. members before the opening of sittings. I am sure the hon. member had no intention of casting any aspersions on the efficiency of the king's printer, and I believe he will agree that the staff of the king's printer is doing its work as efficiently as is possible under the circumstances.

Mr. COLDWELL: I was casting no reflection upon the king's printer or upon the Secretary of State. I was only asking that an attempt be made to speed up the distribution of *Hansard*.

BANKING AND COMMERCE

Seventh report of standing committee on banking and commerce.—Mr. Cleaver.

WHEAT

AGREEMENT WITH UNITED KINGDOM—DOMESTIC PRICES

On the orders of the day:

Mr. JOHN BRACKEN (Leader of the Opposition): I wish to direct a question to the Minister of Trade and Commerce having to do with the announcement he made yesterday with respect to the United Kingdom wheat agreement. He advised that the price of wheat to the United Kingdom would be $1.55 a bushel for the next two years, with a minimum of $1 a bushel at the fourth year. My question to the minister is this. Is the government now in a position to state whether there will be any change in the domestic price in Canada—now $1.25 a bushel—or whether there will be any change in the initial price of $1.25 which is now paid to wheat growers? If the minister is not in a position to make an announcement now perhaps he would do so at an early date.

Hon. J. A. MacKINNON (Minister of Trade and Commerce): A great deal of attention has been and is still being given to the point raised by the leader of the opposition. This crop year ends on Wednesday next, and it naturally follows that some time between now and Wednesday a statement must be made in this connection. I am hoping to be able to make a statement next Tuesday.

TOMAHAWK IRON MINE

REFERENCE TO STATEMENT IN "CANADIAN MINING REPORTER"

On the orders of the day:

Mr. GORDON GRAYDON (Peel): I should like to bring to the attention of the Minister of Mines and Resources a startling charge made in the issue of the *Canadian Mining Reporter* which hon. members received this morning, relating to the Tomahawk iron mine at Hastings, Ontario. I do not expect the minister to give an answer now, since this may be a new problem to him, but I think the matter is of sufficient importance that after he has investigated it, perhaps on Monday, he might report to the House of Commons so that we may know the story in full. I shall send the paper over to the minister so that he may be apprised of the allegations which it contains.

Hon. J. A. GLEN (Minister of Mines and Resources): The hon. member for Peel showed me this article when I came into the house. I shall make inquiries and report later.

MEAT AND CANNED FOODS ACT

LABELLING OF CANS—CANNED FISH OR SHELLFISH

Hon. H. F. G. BRIDGES (Minister of Fisheries) moved that the house go into committee on bill No. 164, to amend the Meat and Canned Foods Act.

Motion agreed to and the house went into committee, Mr. Macdonald (Brantford City) in the chair.

Section 1 agreed to.

On section 2—Regulations dealing with canned fish or shellfish.

Mr. BRIDGES: This section was amended by the marine and fisheries committee.

Section as amended agreed to.

Title agreed to.

Bill reported, read the third time and passed.

JUDGES ACT

CONSOLIDATION AND AMENDMENT—SALARIES, ETC.

The house resumed from Tuesday, July 23, consideration in committee of bill No. 250, respecting judges of dominion and provincial courts—Mr. St. Laurent—Mr. Macdonald (Brantford City) in the chair.

On section 1—short title.

Mr. MacINNIS: Mr. Chairman, I have to leave the chamber to attend a committee meeting, and I am taking this early opportunity to say a word on this bill. I oppose it.

I cannot see a more unwise measure at this time than the bill before us. Along with other members I am serving on a standing committee of this house and hearing matters in dispute between wage earners and their em-

ployers, with the government in the picture I believe as having set down certain basic increases in wages beyond which boards cannot go. In other words, the wage rates were frozen in 1941, and there is only a slight relaxation in those rates at the present time.

The Minister of Labour indicated in the house some days ago that any increase in wages over ten cents an hour would be fraught with danger to the country because of its inflationary effect. I do not know whether that is true or not; but the point is that wage increases in the very low wage categories are being resisted, with the result that we have now in Canada some 50,000 or 60,000 industrial workers on strike. Those increases are being resisted. And at that very time, with these conditions existing, we have before us a bill which proposes to raise to the extent of as much as one-third the salaries of persons who are already getting extremely high salaries in relation to the wages being paid industrial workers in Canada.

To the salary of the Chief Justice of the Supreme Court of Canada who, at the present time receives $15,000, we are proposing to add one-third more, to make it $20,000. To me this does not make sense, from the point of view either of economics or of social thinking. It would appear to me that any reasonable society would consider its duty to be that of raising the living standards of those at the bottom before raising the standards of those at the top. As a matter of fact an increase in salary to a man receiving $9,000, $10,000, $12,000 or $15,000 does not raise his standard of living, because the increased amount received will not be spent in that way.

An hon. MEMBER: Liquor.

Mr. MacINNIS: I do not know that that is a fair remark, even if it comes from this side of the house. I am not suggesting at all that these people will spend part of their salary on liquor. And even if they did, it is their business, not mine. That does not enter into the picture. But the point is that they do not need to spend any of that increase in salary on the basic essentials of life. The great majority of the people in Canada have never yet received an income sufficient to provide their essential needs. I cannot understand a man of intelligence and culture, and with an understanding of what makes society and keeps it integrated, bringing in a measure to increase salaries where they ought not to be increased, thus creating further class divisions in Canada, and at a time when we should be doing the very opposite.

Mr. FLEMING: You are creating them.

[Mr. MacInnis.]

Mr. MacINNIS: It is creating class divisions, because the man who receives $20,000, $15,000, $12,000 or $10,000 in salary has no understanding of or connection or association with the man who must live on a wage from $500 to $1,500 or $2,000, or perhaps even $3,000.

Mr. BROOKS: Will the hon. member tell us what salaries the heads of labour unions are getting in Canada and the United States?

Mr. MacINNIS: I am not concerned with the United States. But I am satisfied that there is no head of a labour union in Canada who is getting a salary of $10,000.

Mr. STEPHENSON: What about the Comintern?

Mr. MacINNIS: The Comintern?—what is the sense of that question? I have no connection with the Comintern. Let me give my hon. friend to understand that I enjoy the distinction of being the only member of the House of Commons who tried to gain entrance to Russia and was refused. Any person who asks a question like that shows his stupidity, if he does not show anything else.

Not only are these judges provided with good salaries, but they are also provided with generous pensions, so they need not worry about the future. They have not to put by something for a rainy day, because the people of this country have put by something for them.

Mr. IRVINE: It never rains.

Mr. MacINNIS: Then we make provision for their widows. In looking over the estimates I find pensions for widows of judges ranging from $1,600 to over $2,000, and perhaps there are some higher than that, because I only glanced through the list. What is the position of the widow of a longshoreman, of a lumber worker, or of a street car conductor, such as I was myself? If they are seventy years of age they will get $30 a month in some parts of Canada, but only if they can prove that they are not in receipt of an income of more than $365. While in receipt of that pension, every six months they must make an affidavit that their economic condition has not changed. I do not think that is democracy; I do not think it is a reasonable and satisfactory social organization for our country. If any hon. gentleman here passed on—there are no judges here—their widows would consider themselves just as worthy as the widows of judges. Why should they not be looked after? Can anyone give a reasonable explanation of that?

I have here a letter which I received from a woman in Vancouver under date of July 15,

and this is only one of hundreds that I have received. I have another interesting letter from a woman in Montreal who is sixty-nine years old and who cannot get an old age pension because she has not reached the age of seventy. She is wondering where in the world she is going to turn in order to live until she is seventy. I imagine the reason she wrote to me is that she noticed I had raised the question of old age pensions in the house. This Vancouver woman writes:

My husband receives the $25 from Manitoba—

This couple are living in British Columbia but the husband receives the pension that would be paid in Manitoba.

—and I help a little by sewing or washing sometimes. My health broke down last fall and so it is very little I can do. I shall be seventy if I live till next March, so you see if only the age limit was sixty-five it would help some.

I sometimes wonder how the men responsible for this situation can sleep in their beds when such hardship has to be endured by the pioneers. We lived in Manitoba from 1904 till 1940, then we came here to avoid the cold winters. My husband, who will be seventy-six on August 19, attends to a furnace and garden for a free small cottage, but there is no money goes with it. So you will see we have to do some stretching, and the only way to get clothes is when some friend passes on.

I ask hon. members of this house if they are going to pass a bill to increase the salaries of persons who do not need it when there are hundreds of thousands across Canada in the same position as this woman? Are we called here to look after the poor and the needy who are not in position to look after themselves, or are we here to do something for people who are already well looked after? That is the question hon. members have to decide. Hon. members must justify their position in this house before the old people of this country.

When the Minister of Justice introduced the resolution that preceded this bill he said, as reported on page 3178 of *Hansard:*

The salaries that are being paid at this time are those that were fixed in 1920. Personally I feel that they are out of line, not only with what are the salaries elsewhere, but also with what prevails for salaries and income in our own country. The suggestion is, now that there is being some relaxation in the controls over wages and salaries,—

I wonder just how much relaxation there is? Evidently there is not very much. If there was some relaxation I doubt if we would have so much industrial unrest in this country. The minister continued:

The suggestion is, now that there is being some relaxation in the controls over wages and salaries, that a provision which will come into effect on January 1, 1947, will not be out of line with what will be happening generally in the readjustment of the post-war period.

I wish that this matter of increases in the salaries of judges was under the Department of Labour and another judge was appointed and instructed to make a recommendation in regard to the salaries of his brother judges just as they make recommendations in connection with the wages paid to trade unionists. He would then bring down a recommendation, not that the salaries be increased by one-third—I have never heard of a judge as generous as that when dealing with a labour dispute—he would say: "Taking into consideration the ability of this country to pay, I recommend that they be given an increase of ten cents an hour." If he were on the national war labour board and hearing a case where no strike threatened, he would give them two cents an hour, as was given the maintenance of way employees some little time ago.

Mr. PROBE: If that applied to judges it would be considered dictatorship.

Mr. MacINNIS: A judge who appeared before the committee yesterday accused union leaders of this country of being dictators.

The CHAIRMAN: The report of that committee is not before us.

Mr. MacINNIS: I did not say it was.

The CHAIRMAN: It should not be discussed until it has been received in the house.

Mr. MacINNIS: As I said, when the minister was introducing the resolution he said that the salaries being paid at this time were fixed in 1920. I imagine that there were more lawyers in the house than there are now, as the salaries were fixed at a generous rate. Hon. members will remember what this country went through from 1920 to 1946. While millions of people were depressed in poverty, while a million and a half were receiving relief, these judges continued to have a standard of living that is considered a good one even to-day.

Mr. FERGUSON: For their services.

Mr. MacINNIS: Of course, for their services. I am not saying anything against their services. But they are not giving any more service than any other citizen of this country. If there were some real criterion by which to judge the ability of these men when they are appointed, we could judge better of the services given, but a great many of them were appointed because they failed to win a seat in an election. In British Columbia, so far as I can see, the road to a judge-

ship is defeat in an election. The hon. member for Vancouver South defeated a lawyer in the 1935 election—and not only a lawyer; he was also a Liberal. When he was a lawyer—I cannot speak of him as a judge—I do not think he was blessed with an overabundance of grey matter. But he was made a judge. In 1940 my hon. friend defeated another lawyer, and he also was made a judge. That is the general pattern across the country. So that before we begin talking about the services they are giving to the people we should think about their ability to give that service. I have a high regard for the great majority of the judges of this country. But I do say that they are well paid, whichever way you look at it, and exceptionally well paid when you compare them with the generality of people who must come before them in the courts. I have not time to go into that, but I should very much like to do so and to show what is the real basis of crime not only in this country but in every other. The real basis of crime lies in poverty, in misery, in lack of education and lack of the social amenities which people must have before they can live rational lives.

Let me refer for a moment to the incomes on which taxes are paid, which in the last analysis must be taken as the criterion of the income that people receive. I have figures here taken from the *Financial Post* of May 4 of this year which show the number of persons in the various income tax brackets in 1945 and 1944. The figures show that 70 per cent of the income tax payers in 1945 and 1944 were in the categories from $660 to $2,000. This was before the proposed increased exemption. The figures showed that 90 per cent of all the income tax payers had incomes of $3,000 or less. So that all the judges in this country, even the lowest paid judge are in the upper 10 per cent of income tax payers. Surely persons in such a position are not being dealt with hardly by the people of this country. As a matter of fact they are in a very favourable position. I do not think I need take up the time of the committee by reading all these figures, but I would again ask the committee to consider carefully what we do in this matter.

I do not want to raise again what we did here last session in relation to members' indemnities, but I warned the house on that occasion of what the consequences would be; and let me say that in every application for an increase in wages that has been made since then, the increase in our own indemnities has been brought forward as a justification, and the justification is properly made. So, I would advise hon. members not to do the same sort of thing again and drive still further apart the people in the low income brackets and the people in the high income brackets in this country.

Mr. HACKETT: Mr. Chairman, I do not think there is any topic which comes before the house that arouses more violence in expression of opinion than that of the judiciary. Perhaps one should make an exception, as to the source of these expressions of opinion, of the province from which I have the privilege of coming, and of the provinces to the east.

I listened the other day to the remarks of the hon. member for Cariboo and of the hon. member for Weyburn, and I listened this morning to the speech of the hon. member for Vancouver East. Some of the time-honoured sneers at the legal profession creep from time to time into a debate of this kind. Possibly this debate, so far as it has been participated in by members who do not believe in the judiciary in the form in which we have it, has been freer from them than most.

Mr. MacINNIS: I hope the hon. gentleman is not referring to anything I said, because I do not think that any member of this group, and I include myself, has any exception to take to the form under which the courts and the judiciary operate in this country. I would not have that impression left, not even by my hon. friend, whom I regard so highly.

Mr. HACKETT: No. I was going to point out—and I am sorry that my hon. friend's duties take him away—that he and those associated with him do not believe in the form of government which has developed this type of institution, and I shall attempt in the remarks that I am about to make, with calm and fairness I hope, to show that the point of view which has found expression by them is part of a philosophy which would entirely do away with the form of government which we have and with many of the institutions which uphold it.

Mr. ZAPLITNY: When the hon. member says "form of government", will he be more explicit and tell us what he means? Does he mean the existing political parties, or does he mean the democratic system? I want to be clear on what I am being accused of.

Mr. HACKETT: I am not accusing anybody and if the hon. gentleman will listen to what I have to say—I am not asking him to agree with me—I think he will have no difficulty in finding an answer to his question. I am attempting to point out that theirs is

a type of prejudice, a point of view, which is entirely subversive of our form of government and of the institutions upon which it rests.

I listened with great interest to what the hon. member for Vancouver East had to say a little while ago. He argues that judges are overpaid; he invites the government to withdraw legislation which would increase the salaries of judges, and he gives as his reason that there are many people in this land who are in want. He read the letter of a woman whose husband is seventy-six and who, being sixty-nine herself, is not entitled to an old age pension, as a justification for his own point of view. The fundamental difference is this. The hon. gentleman represents a socialistic group who would invest all activities in one agency and make the state the general administrator of everything, including justice.

Mr. BRYCE: That is not true.

Mr. HACKETT: Now we come to the system which obtains here, and which obtains in other countries of free enterprise. It is based upon private enterprise and upon competition, which brings to the top, whether it be in commerce or whether it be in the professions, the people who possess the greatest skills.

Mr. McKAY: That is not true of the judges always.

Mr. HACKETT: The hon. member for Weyburn says that is not true of the judges.

Mr. McKAY: I said it was not always true of judges.

Mr. HACKETT: I listened very carefully to what the hon. member for Weyburn had to say the other day about the judges, about "political" judges, and the appointment of judges by political parties. I assure him that, respectable as is his opinion, and I do not begrudge him the right to any opinion he may hold, it would be more weighty did it rest upon experience. I tell the hon. gentleman that my whole life has been spent in the courts; it has been spent in the courts of a province in which my party has been unfortunate for many years. I suppose that ninety-nine per cent of the judges before whom I have appeared in the last forty years have been appointees of political opponents, and never once—never once, and I have practised in every court of that province—have I felt that I was the victim of political prejudice.

The hon. gentleman suggested that it might be better if our judges were selected by learned societies. I am not sure whether he mentioned universities; he did mention the law societies.

Mr. McKAY: I said "recommended", not "selected".

Mr. HACKETT: And he even went so far as to say that he would preclude from the high judicial office anybody who had ever been soiled—

Mr. McKAY: I did not use the word "soiled".

Mr. HACKETT: —anybody who had ever held a representative position such as a member of this house; and I will add, as my own interpretation of what he said, anybody who had ever been scarred or soiled by public confidence; he would make that person unworthy of high judicial office.

May I tell the hon. gentleman that most men who come to this house possess something which most men do not have. They have something which begets confidence and trust; and while they are fulfilling that office of representing their people they are brought into close association with the wants, needs and the longings of the people. I make bold to say, Mr. Chairman, that the man who has been the representative of the people in some great deliberative assembly such as this, or in a legislature of a province, has given proof of the qualities which in part fit him for the duties of the judiciary and has had an experience which makes him highly acceptable and highly fitted for that office.

I offer the suggestion—it is my own, no one else is responsible for it—that the judge whom I most fear is the learned gentleman who is absolutely certain he could not err, who has had no experience of public affairs, who does not know the frailties and the foibles of the people, who does not know that truth does not always abide where the uninitiated believe it does. I believe that one of the great qualifications for the bench is a knowledge of the human heart which is acquired from close association with the whole gamut of our population. I do not wish to be disagreeable to the hon. member for Weyburn, but I say to him that, had his experience been mine, I think he would have been less critical of the method of appointment of our judiciary. I should like him to recall that in no land in the world does the judiciary stand higher, in no place in the world and at no time in the world is essential justice, as admitted by all, more perfectly administered than in Britain; and there, be it said, their judges, high and low, are political appointees.

The hon. gentleman desired or suggested that judges be appointed by learned societies. Well, the members of learned societies belong to political parties, and I am not sure that

we would escape from this bane or blight, if it be such, by accepting their recommendations.

I should like to refer for a moment to the idea of promotion. It has been thought highly improper that there should be promotion on the bench. It is not desirable that the judge who is entrusted with that which we hold dearest—fame, family and fortune—should be subject to the baneful influence of opportunity to better his own position. The judge is given a status which is his for life, not to be improved or altered. That, I believe, is a principle which has been accepted.

I now wish to turn to the remarks of the hon. member for Vancouver East.

Mr. IRVINE: Before the hon. member does that, may I ask a question?

Mr. HACKETT: Yes.

Mr. IRVINE: He made reference to the appointments of judges in Britain, and said that they were political. Would he mind describing how these appointments are made? —because I was under the impression that they were not entirely political.

Mr. HACKETT: They are entirely political; they are made by the representative of the party in power. There they have an enlightened large and able bar which makes able men available for judicial duties at all times, no matter what party is in power. I shall make an exception, which my hon. friend knows. When the Labour party came into power they had to go beyond their own party precincts, as it were, to find a lord chancellor. That was an accident. They got an excellent man who felt that he could accept the office from them, but his also was a political appointment.

The argument of the hon. member for Vancouver East is an expression of his own political philosophy; eloquently and cogently stated, I admit. It is a statement of the doctrine of making everybody equally poor, which is a denial of the system which obtains here, namely, private initiative and competition. His is a socialistic system, a class system. Nobody must emerge ahead of anybody else. Everybody must be on a dead level of competence—or incompetence.

An hon. MEMBER: Be fair.

Mr. HACKETT: I wish to be fair. I would ask the hon. gentleman to name some country in which his system of government obtains in which the judicial system is comparable for fairness to our own.

Let us go into another realm. Under our system, persons who are competent are sought. Persons who are competent get the largest return for their knowledge and skill. If an hon. member were slightly ill he would go to his family doctor, but if he were smitten with some unknown or exceedingly malignant disease he would hie himself to the specialist, to the man whose skill and study and natural endowment have lifted him in earnings and status above the ordinary run of his profession. He would do that because he wants to live; he goes to the one who can give him the best chance of retaining life and regaining strength and health. The same principle applies in another field. We want the best men for judges. I will admit that there would be no dearth of judges were the salaries diminished by one-third instead of being increased by one-third. The minister might diminish the annual salary to $2,000 and there would be no dearth of judges, but they would not be men of eminence in the science of law. They would not be men capable of rendering justice in a way which would command the respect and confidence of litigants.

Until men become more altruistic than they are now there are positions which will be filled by competent incumbents to the extent that the remuneration paid is comparable to what the incumbent could earn elsewhere. Let us go into another realm. I have heard hon. gentlemen sitting to my left—among whom, strange as it may seem, I have a number of very good friends—advocate better pay for school teachers, and I have applauded them. Why? Because the pay that you give to a job determines its social importance. I do not say that remuneration is the only factor, no; but I say in our day and generation it is the principal factor.

Mr. McKAY: School teaching has not been a very good job in the past, then.

Mr. HACKETT: If a school teacher receives $5,000 a year the chances that he is an excellent teacher are better than if he receives $500. The same is true of the judges. Somebody has said that everybody wants to be a judge. Again that was the pronouncement of one whose experience in the matter is not, according to his own admission, vast. The men who are best equipped for judicial office cannot be had unless the office be paid something approaching the equivalent of what the recipient could earn in other fields. We have to accept that. It is a fact. To-day the judicial office has gone begging for good men. Oh, there are multitudes who are willing to serve. I admit that, but the best men are not available at present salaries, and we need the best men.

Institutions are of slow growth. Our whole development depends upon our institutions and upon their integrity. Unless we can attract to these institutions the best men that the nation can find, those of us who believe in them—and I know that some of my friends to the left do not believe in them—are not discharging our full duty.

I commend the minister for having increased the salaries of the judges. I believe it is the proper thing to do. But, the measure as a whole is not entirely free from criticism. I suggest to the minister that the increase should be made immediately, and for more than one reason. In the first place there are a number of judges who are aged, and who at the present time are not as capable of useful work as they were some time ago. Naturally these men will remain in office until the salaries now proposed become effective, as they may have a bearing upon their retiring allowance. That is human. That is something we can all understand. I believe the increase should be made effective immediately. In other fields, in labour unions, people are striking for higher salaries, and frequently the increases are made retroactive. In this case because the judges cannot or do not or will not strike, we are postponing for six months the date on which their salaries shall be raised. I do not think that is a good reason.

There is another reason. This is a part of my self-imposed task which I dislike, but I intend to go on with it. I have spoken several times about the misuse of judges. I spoke of it as the head of the bar association in my own part of the world; I have spoken of it two or three times here, in very moderate language. I feel that with the possible exception of the church, the judiciary is the greatest institution of Canada; that upon it we rely entirely for the reign of law and order which in these days it is so important to maintain. I believe the salaries of the judges should be increased immediately so they might be free to refuse, to their own honour and dignity, the belittling tasks which the government has been allotting to them in the last few years. I am going to be very direct. We are talking about making the Supreme Court of Canada the court of final arbitrament for all Canadians. I am not debating whether that is wise or unwise; there is before the privy council at the present time an appeal which will determine whether or not the dominion has the right to make the supreme court the final court of appeal in this land.

Here I must say in sorrow, not in anger, that the high repute of that great court has been seriously damaged by referring to some of its members, whom individually I do not blame because an invitation from the government is almost tantamount to a command, political problems for solution during the last several years. I say that the two honourable gentlemen whose names appear at the bottom of a report recently laid on the table of the house undertook duties which have exposed them to great criticism; and I may say to you, Mr. Chairman, that although we may not discuss in this chamber what is going on elsewhere, the newspapers tell us of an outburst of a judge yesterday against labour unions. I know nothing of the merits of the issue. I will not say that such a statement was not competent to a person acting as he was, as an arbitrator, but I say it was highly improper that a judge of a court of justice should be put in a position making it necessary or possible for him to make such an utterance. How is any labour man or any labour union going to feel when appearing in a court presided over by that honourable gentleman? I am not criticizing him; I am criticizing the government. I am not criticizing the Minister of Justice, who is only one member of the government; I am criticizing the government for undermining a fundamental institution in an effort to solve its own political difficulties. The government is not solving its difficulties; it is merely concealing them under the mantle of dignity and confidence which the bench has worn until now.

I know that in this bill there are sections which make it possible for the government to allocate problems of this kind to the judiciary. I know that bar societies will object to them. I know that the judiciary and members of the judiciary are being criticized as never before for partisanship. I know the judiciary is suffering, that the institution itself is suffering as a result of these practices; and I pray the government to desist from undermining the bench by referring to members of the judiciary questions highly tinged with politics, questions which are beyond and outside the ambit of judicial function and which are drawing into the dust and dirt of the political arena those whom we have liked to believe were above and beyond such controversies.

I shall read again for the benefit of the house a passage which I read to the commons on June 21, when I was quoting from a statement of Lord Esher, whom all lawyers know was a man of highest repute in judicial circles in England. Referring to the judiciary, and to a single judge who had departed from the high traditions of the bench, he said:

> Their education and training made them impartial and determined to do what was right in any question that came before them. This, indeed, was so well known and recognized, and

when the judges of England acted within the scope of their ordinary duty, nobody ever attempted to suggest that they were not impartial. At the present time, however, they knew that one of the judges had been asked to go beyond the scope of his ordinary duty, and he, for one, was surprised and sorry that the judge in question had consented to do so. The result was inevitable. That judge had been fiercely accused already of partiality or of want of desire to do justice.

I say to the Minister of Justice, give to the judges an increase in salary; give it to them immediately, that they may protect their own virtue even if the government is not as solicitous of it as it should be.

Mr. ZAPLITNY: I hope what I have to say will not be taken as any criticism or disrespect of the judiciary or the legal profession, because I want to make it clear that I have the most profound respect for both. Some of the innuendos thrown out by the hon. member who has just taken his seat, however, cannot be allowed to go unchallenged. He said, for example, that the underlying philosophy of this group, the group to his left, was to do away with the present form of government. I attempted to find out just what he meant when he spoke of the present form of government in this country, because I think it is a matter of great importance to distinguish between the political parties as they exist at present and the form of government as such. I was not successful in getting an answer, though I listened carefully and with interest to what the hon. member had to say. However, I imagine he must have meant by the present form of government the democratic form of government, and that the institutions to which he referred are the existing democratic institutions.

I think it should be made clear that no one in this group attacks the democratic form of government. I do not think it is fair in a discussion of this kind—which, as I realize, has strayed from the bill—to give talks upon political philosophy and to misinterpret it in order to suit the argument of the moment. If I were so inclined I believe I could make attacks and offer arguments to show that the political philosophy in which my hon. friend believes is opposed to the best interests of this country. But this is not the place to do it.

I believe it should be put on record that even though we in this group might be opposed to the present government, or to that which preceded it, when it comes to a fundamental form of government we are a democratic party. We have not attacked and are not attacking our institutions as such, and any criticism which we may offer of this bill arises out of our belief that its provisions are not in the best interests of the great majority of the people of Canada. While this may be a matter of argument, and I shall not dwell upon it, I think we should be given credit for sincerity and earnestness when we bring our views forward, and should not be accused of entering into a conspiracy to upset the form of government or to be subversive in any way.

Coming more closely to the matter under discussion, may I say I was intrigued by the statement of the hon. member for Stanstead that the free enterprise system brings the best or the most able people to the top; and he used that as an argument to show that under the present system our judiciary should be paid more. It seemed to be the trend of his argument that we have to pay for value received. If that were sound I would say he had scored a point. But it is not always correct to take it that way, because it seems to me it is putting the whole question on a mercenary basis. It takes away from his main argument a good deal of its validity—the argument that the judiciary are persons of sincerity who sacrifice themselves in order to render a service to their country. I do not think people will refuse to sacrifice themselves or their own well-being if it is not in their financial interest to do so. It is a bit of a contradiction to say that, although that is the way the hon. member's argument has developed.

The first part of the hon. gentleman's argument was an attack upon anyone who attempted to criticize the judiciary, but before he concluded he objected to judges getting into what he called the "dust and dirt" of the political arena. Well, if the hon. member has not a greater regard for the political institutions of this country which I contend are part of our democratic system, how can he justify his view that the judges should be political appointees? How can those who spend their time in the "dust and dirt", as the hon. member described it, be competent to appoint persons to the highest and most respected offices in the country?

I do not wish to prolong the discussion, and shall refer to only one more point. The hon. member challenged the house to show where in any other country with a form of government which he described as socialistic there is a judiciary appointed in the same way as it is in this country, namely by political appointment. Then, answering the question himself, he referred to Great Britain and said that it has the most highly respected judiciary in the world, a statement with which I am inclined to agree. It so happens that at the

present time there is in power in Great Britain a Labour government which, although this is subject to argument, is being called a socialist government. Accepting that fact, I believe it is proof that it is not the political party in power which is at issue, but rather the form of government. I suggest it proves what I started out to say, that even though in Great Britain to-day there is in office a political party which is opposed to practically everything the capitalistic parties have been doing, and is attempting to make what it believes to be proper changes, the democratic system is being maintained. The judiciary over there is not in question or under fire. The government has shown that it is willing and able to make changes in a peaceful democratic way. I suggest that it is a complete answer to the attack made by the hon. member.

Perhaps I should comment on his reference to school teachers, because I happened to be one of those unfortunate people.

Mr. HACKETT: Underpaid.

Mr. ZAPLITNY: I am not weeping about it, from a personal point of view. But if in matters of salary we are to draw an analogy between school teachers and judges we are attempting something fantastic. If I were to present a schedule showing the average salaries paid to teachers across Canada, and indicate the responsibilities given to those teachers to bring up and to mould the coming generation, and probably to keep them from appearing before the judges, I am sure it would be realized that any attempt to draw an analogy between the two is just begging the question.

Mr. BRYCE: The hon. member who has just spoken must have seen my notes, because he has said many of the things I had intended to say. I should not like any hon. member or anyone outside the house to think that I am opposed to the judiciary. Some of them are among my personal friends. In fact I have many good friends among them, although they hold political views different from those I hold. I respect their views, and I hope they do the same for mine.

The hon. member who has just taken his seat referred to the political appointments in Great Britain, to which reference was first made by the hon. member for Stanstead. It will be noted that while they are political appointments, it is not always a process of appointing political friends.

Mr. HACKETT: If the hon. member would cite a few instances to bear out his argument, it would be helpful. I know very well that the gentlemen who are now in office do not appoint their political friends, and for the obvious reason which I gave.

Mr. BRYCE: I am at a disadvantage when I am asked that question.

Mr. HACKETT: Probably so.

Mr. BRYCE: I cannot give an answer off hand. But I have followed the political life of Great Britain since I was a young man. What I had wanted to do at this time was to go on record as being against this increase in salaries to judges at the present time. It seems far too much, and it is out of reason altogether when we have fishermen, farmers and workers who are clamouring for a few more cents an hour. I say to hon. members to my right that if they want to guard their reputations in the future, and if they are to contest another election, they will never come back if they now raise judges' salaries by one-third. The rank and file of Canada will be against them.

We heard the Minister of Trade and Commerce announce what will take place in two years' time—dollar wheat. I am not speaking as a lawyer, but as a farmer—and I would never attempt to speak as anything other than a dirt farmer from the prairies—when I say that when we got 38½ cents a bushel for our wheat the judges were getting the same salaries as they are getting to-day. The Minister of Trade and Commerce tells us that we are to get $1 a bushel for our wheat in three or four years' time. When that happens the judges will still be getting the same salaries. I do not want to take up the time of the committee, but I do appeal to the Minister of Justice to hoist this bill for a year and let us see where we are.

Mr. MATTHEWS (Kootenay East): If I understood the hon. member for Stanstead aright he left the impression that the hon. member for Vancouver East was opposed to the present salaries paid the members of the judiciary, and that he felt they were overpaid. I do not think the hon. member for Vancouver East made any reference to anyone being overpaid. He made a strong and impassioned appeal to the minister not to do this thing now. He gave his reasons, very ably, and I want to associate myself with everything he said.

The hon. member for Stanstead said that certain people were sneering at the profession of law. You do not have to be in this house to hear sneering things said about the law, but that does not mean that every lawyer is a shyster or a crook. Unfortunately there have been men in the profession who have brought down slurs upon that profession. At

times sneers were due them, but they were not due to the group as a whole. I have the greatest respect for the profession and the work it has been trying to do, and I have also great respect for the judiciary of this country. I do not think I can be accused by anyone of having made any unseemly remarks about them.

I think the timing of this thing is altogether wrong. I do not think the members of the judiciary are suffering because of their present salaries. Hon. friends to my right have been accusing the government of extravagance. They have been saying that the government is not practising economy at a time when economy is demanded. They should be consistent. How can they justify the things they have said during the budget debate when they are all out to raise the salaries of judges? As the hon. member for Vancouver East has said, there is considerable unrest in this country at the present time. If the matter comes to a vote I shall certainly vote against the proposal to grant these increases.

Mr. FERGUSON: I have the utmost respect for the judiciary. It has been stated this morning that certain political lawyers have been appointed to the bench. I am sure they will make far better judges than if they had had no training as politicians. The mere fact that a man is a defeated candidate and is appointed to the bench does not detract from his ability.

Personally I feel that this bill should have been brought in after the old age pensions question had been settled. Surely this government must view with alarm the position of many old people who are forced to live on the pension they are receiving with prices as they are to-day. Surely this government must feel that it is far more important to provide for those who are too old to provide for themselves than it is to increase the salaries of judges. Therefore I am in favour of hoisting this bill until such time as we can conscientiously feel that people who must live on old age pensions are properly provided for having regard to the present cost of living. I feel confident that the judges of Canada would view the situation in almost the same light.

Section agreed to.

Section 2 agreed to.

On section 3—Persons who may be appointed.

Mr. HARRIS (Grey-Bruce): I take it from this section that there is no barrier to a county court judge being appointed to the supreme court. The eligibility seems to be that the person must have practised as a barrister or advocate for ten years.

Mr. ST. LAURENT: That is right.

Mr. HARRIS (Grey-Bruce): I had intended to say a few words on this section, but practically everything that I had to say has been said by hon. members who took advantage of section 1 to discuss the bill as a whole. I should like to refer to the remarks made by the hon. member for Weyburn. He suggested that county and district court judges might be appointed to the supreme court bench if they were qualified and showed talent in their position. In connection with the other recommendations made by the hon. member, may I say that I agree entirely with all that was said by the hon. member for Stanstead in answer to him.

I should have thought that the members of the C.C.F. group would have suggested that members of the legislatures and of parliament should go to the bench. If I recall the criticism of the judiciary by members of that group, it is that the law has become too rigid, that judges have become too fixed in their attitude toward mankind, that they tend to perpetuate the past rather than move into the future. I suggest that the answer to that criticism is to have on the bench persons who have the outlook of humanity, if you want to put it broadly. I think you are more likely to get such a man from an elected group than from any other section of the community. Without wishing to refer to our own judges in particular, I ask hon. members of the C.C.F. group to consider the late Mr. Justice Holmes of the United States supreme court. I think they will agree that he was the type of judge they would like to have, and I am sure that type of man is more likely to be found among those who are more closely in touch with public affairs than in any other group of lawyers.

So far as I know, no county court judge in Ontario has ever been appointed to the supreme court bench. Masters of the supreme court have been appointed to the supreme court bench, but it seems to be the practice that county court judges be not appointed. Perhaps what I am about to say comes close to infringing upon the duties of the governor in council, but I hope the minister will accept my comments as in no way doing that. I do not cast any reflection upon any supreme court judge, or upon any county court judge for that matter. I have considered the present situation, and I think it is our desire that we should have the best talent on our supreme

court bench. We can draw from practising barristers, or we can draw from the county court bench. I am sure that most hon. members will agree that a county court judge who has shown good judgment and who has had experience in trying cases might conceivably make a better supreme court judge than a barrister who is brought in without any previous experience on the bench. Without arguing that it should be so, I am interested to know why the system has been carried on in the present fashion, because I say without any hesitation that I know county court judges who would make excellent judges of the supreme court bench.

In order to place before the house a few facts I went through the report of the inspector of legal offices in Ontario and, taking the decisions of the court of appeal in Ontario, I find this result. In all the cases which have reached the court of appeal in Ontario in a nine-year period, the decisions of the county court judges have been upheld slightly more frequently than the decisions of the supreme court judges. I do not say that that is an indication that the country court judges are better than the others. I merely place the facts before the committee as a statement of what is happening. In that nine-year period, from 1937 to 1945, there were 1,066 cases in which the court of appeal of Ontario dismissed or allowed an appeal from decision of supreme court judges. I do not want to say anything about the minor number of decisions which were varied or referred back. The result is that the appeal was allowed in thirty-four per cent of the cases. At the same time 902 decisions by county court judges were similarly dealt with by the court of appeal and the appeals were allowed in 33·5 per cent of the cases. So that there was slightly less than one per cent variation. In the nine-year period you would have thought that any real difference between the merits of the two classes would show up.

During four years of the same period in the supreme court of Canada only two cases reached that court from county judges and in both cases the decisions of the county court judges were upheld. At the same time the average of decisions of the supreme court judges of Ontario was running fifty per cent allowed and fifty per cent dismissed. On that basis alone I wonder if we could properly make a distinction between the relative merits of the judges. I know this may sound as if I am reflecting on supreme court judges, but I am not, as I said earlier. I do submit that county court judges as such because of their appointment should not be considered barred from appointment to the supreme court.

There has been a good deal said this morning and the other day about the intervention of politics on the bench, originating no doubt from the fact that the appointments are made by a political body. I only add this to what the hon. member for Stanstead has said. If the answer is made that county court judges should not be appointed to the supreme court bench because they might conceivably be considered in politics if at some future time they were appointed to a higher office: we find this situation in Ontario, that we do appoint supreme court judges to the court of appeal; we do appoint masters of the supreme court to the supreme court bench, and a master, as everyone knows, is or should be an expert in procedure and practice although he may have no trial experience of any kind and on that basis might not be as acceptable or efficient on the bench as a county court judge who has had long years of experience as a trial judge. The county court judge, if he is in politics in any way under our present system, becomes involved only in trying a case of a controverted election or the like, which seldom happens; whereas the supreme court judge, as the hon. member for Stanstead has argued this morning, is often appointed to commissions and the like which at least it can be argued have a political tinge. I do not agree with what the hon. member said on that point, but he did make the point. If the hon. member for Stanstead is correct, the county court judge in his tenure of office is more likely to be divorced from political questions than the supreme court judge.

I put these facts before the committee only by way of eliciting an explanation, not as to the discretion of the minister or of the governor in council, but one which will be satisfactory to me as to why we could not appoint to the supreme court bench a highly qualified county court judge if it were felt his efficiency and his merit were such that he could fill that appointment properly.

Mr. ST. LAURENT: There is no legal objection to a gentleman who has occupied a post on the county court bench being appointed to another court. As a matter of practice I understand that in certain of the provinces it has been done. My understanding is that so far with respect to Ontario it has not been felt that it would be proper to do it.

I am very glad to have on the record the remarks made by the hon. gentlemen. These are matters about which those who have taken

responsibility for recommendations feel very deeply their responsibility to the public, and everything and anything that can help them in making the kind of recommendations that will redound to the high repute which the courts have enjoyed in this and any other country where they are organized on the British system is always very helpful.

I fully agree with much that the hon. member for Stanstead has said. I think that in the system of society that we have here, which is the outgrowth of the development of political liberty in Britain, nothing has been more beneficial in mundane affairs than the repute of the judges and the respect which the public has had for the administration of justice. The hon. member for Stanstead said that next to the church it was the thing that made for the greatest degree of political stability, and I fully agree with him in that regard. I do not think that there has been anything in the development of British institutions that has contributed more to that form of government of free men, by free men, for free men, than the high repute of those who administer justice. The whole system is founded upon the concept of justice, and unless the people can feel that justice is not merely a theory but a living thing that is contributing to their well-being, the system would not endure. It is for that reason it was felt that in our society it was necessary to make provision for an increase in the salaries that are paid.

As I said in introducing the resolution, this scale of salaries is still lower than those which prevail in any of the countries where justice is administered on our system. As pointed out by the hon. member for Stanstead, we have a competitive system of social intercourse which brings to higher levels certain individuals because of certain qualities they possess. Now that is true in the legal profession as it is in other walks of life, and it is felt, and it has always been felt down through the centuries, that it is necessary to get for the bench those who are at the top of the legal profession. In order to do that it is not necessary, and it would not be possible, and I would not recommend, that salaries be fixed to equal the scale of the professional earnings of those who reach the top. But I do feel it is necessary to have that scale such that you can appoint a man who has reached the top and he can continue to live as he lived before his appointment without having to provide out of his capital what is required for his annual expenditure. It is not possible to ask a man whose net earnings have been substantially more than will be provided by these salaries to accept a situation where he will not be able to continue to live in practically the same manner as he did before, and as he has accustomed his family to live. It may be that no one should acquire those expensive tastes, but it is only human nature that they do, and we have to take the situation as it in fact exists.

It is seventeen years since the matter was very carefully gone into by a committee of this house and since that theory was put before the committee and served as the foundation for a recommendation. The position taken then, in 1928, was that no one expected that the government of the country would fix salaries to equal the earnings of the leaders in the profession whom it would be desirable to have take positions on the bench, but that what was desirable and necessary was to provide them with enough to enable them to continue to make the expenditures for themselves and their families that they had been making theretofore. I have had more than one expression of regrets from gentlemen I approached to ask to go on the bench, and they have put it just in that way: "We do not want to be able to get from the salary what we earn, but we do want to be able to get enough to carry on. We are not disposed to change our way of living; we are not disposed to go from the premises we have occupied with our families for a long time, and the upkeep of which is expensive, into more modest surroundings." That is the situation which in fact has to be dealt with.

With respect to the suggestion that the act should be made effective right away, I have been discussing this for a long time with my colleagues, because I had been told early in 1929 that something just about like this was going to be done then. It did not get done then. I had been a member of the committee of the Canadian Bar Association, pressing for this, for a long time, and when I came here immediately gave it attention, but I realized that while there was this freezing order on wages and salaries it would not be the proper time to do it. But there has already been some relaxation, adjustments are being made in a number of places, and it was felt that if this were to take effect on the 1st of January 1947 it would not be at the head of the procession in the readjustments of incomes which are necessary and which are being made and will continue to be made.

For these reasons I cannot acquiesce in the suggestion of two or three hon. members that I withdraw the bill. I feel that I am discharging a responsibility which I have not only to the profession but the country in putting this bill before parliament and asking parliament to adopt it with the provision it will become operative on January 1, 1947.

As to one of the objections raised by the hon. member for Stanstead, it is being provided that the pensions which may be granted by the governor in council to judges who resign their functions can be granted on the new scale immediately after the bill receives royal assent; so that those elderly gentlemen who naturally have been waiting to see if this was to be done will not have to defer their own decisions until the 1st of January if the bill gets royal assent before the end or at the end of this session.

Mr. FULTON: I should like to associate myself with remarks made by the hon. member for Grey-Bruce, at least to the extent of supporting the principle that no judge should be appointed to an appellate court unless he has first served as a trial judge. That of course is not my view exclusively; it is held by many lawyers and judges to whom I have spoken. I do not want to discuss the whole matter at length. The minister has said that he is glad to have such remarks on the record, and I feel that it is something which should be on the record, because in my opinion a system of advancement of judges, if we want to call it that, would be something of the kind which normally is open to citizens in other vocations—that is, that a man should not take a higher office until he has had experience in a lower one.

Mr. HACKETT: The function is entirely different.

Mr. FULTON: The function is entirely different, as the hon. member has just remarked; nevertheless the fact remains that appellate courts hear cases coming from the lower courts, and that is why I suggest that at least some of the judges of the appellate courts should have had experience as trial judges and know the problems and difficulties which are encountered in the same or similar cases in the lower courts.

Mr. ST. LAURENT: Might this clause be allowed to carry, so that we might get down to what the bill is really for? The next section begins to deal with increases in salaries.

Mr. FULTON: I might put a question, very briefly, to the minister under section 3. Is it the general practice, when appointments come to be made or vacancies exist, that the minister asks for or receives recommendations as to an appointee from the law societies of the various provinces or the law society of the province concerned?

Mr. ST. LAURENT: The minister receives with gratification recommendations from all those who are in a position to make them. Two or three years ago I answered an inquiry from the law society of my hon. friend's province, telling them that of course we could not relieve ourselves from our responsibility with respect to the recommendations, but we would welcome such representations as they might wish to make and we should be glad to have them give the reasons for the representations so that they could receive careful consideration.

The CHAIRMAN: Shall the clause carry?

Mr. IRVINE: I should like to ask a question of the minister. I take it that we are still on section 3. What does the minister regard as the outstanding qualifications which a judge should have? Do they justify the limitation of the appointments to barristers? I should like to call to the attention of the minister the statement made by the hon. member for Stanstead, that one of the greatest qualifications of a judge was the knowledge of the human heart. Can barristers be said to have a monopoly of the knowledge of the human heart?

Mr. ST. LAURENT: Since it is one o'clock I shall have to answer the question on another occasion; I could not do it in three seconds.

Mr. BRYCE: Are we to continue with this measure this afternoon?

Mr. ST. LAURENT: No. I suggest that progress be reported. After royal assent at three o'clock it is proposed that we go on with the budget resolutions. This measure will have to stand until some progress has been made with them.

Section stands.

Progress reported.

At one o'clock the house took recess.

The house met at three o'clock.

WAYS AND MEANS

The house in committee of ways and means, Mr. Macdonald (Brantford City) in the chair.

DOMINION SUCCESSION DUTY ACT

Resolved, that it is expedient to introduce a measure to amend the Dominion Succession Duty Act and to provide:

1. That rates of tax upon or in respect of any succession upon the death of a person after December 31, 1946, shall be twice the rates presently in force and that the tax paid to the government of any province in respect of the same succession be allowed as a deduction from the tax payable under the Dominion Succession Duty Act up to but not exceeding one-half of the tax otherwise payable under the said act.

Hon. DOUGLAS ABBOTT (Acting Minister of Finance): This resolution proposes two things: first, that existing dominion succession duty rates be doubled; second, that a credit be allowed against the double dominion rates of the duty paid to the provincial governments of one-half the dominion rate. Generally speaking, provincial duties are higher than dominion duties, and generally speaking, the doubling of rates with the credit of provincial taxes does not add to the weight of the succession duties in Canada. Under the offer to the provincial governments it is expected that some agreeing provinces may give up succession duties. In such province the dominion tax will be the only tax left. If therefore the present dominion rates were enforced with no provincial tax in force, the level of succession duties in such province would only be about half what it would be in the rest of Canada, where the provinces were still in the field. Under the proposed offer the double dominion rates will apply, which will mean a level of succession duty generally equivalent to that in force where the provinces still remain in the field, because in the latter case the provincial tax will be allowed as a credit up to one-half the dominion rates.

Mr. HACKETT: At the present time the dominion makes no allowance to the estate of the deceased for any succession duty which the province may collect, that is correct, is it not?

Mr. ABBOTT: That is correct.

Mr. HACKETT: The suggested amendment is that succession duties exigible by the dominion be doubled. The remarks of the minister were susceptible of the interpretation that credits would be allowed only to an agreeing province.

Mr. ABBOTT: I did not realize it was susceptible of that interpretation.

Mr. HACKETT: I do not wish to debate the question. If the minister can assure me that provinces, whether they become adhering provinces or not, are entitled to the credit, all right.

Mr. ABBOTT: I can give that assurance without any hesitation.

Mr. GREEN: Has consideration been given to the case where succession duty is payable under dominion law and not under provincial law?

Mr. ABBOTT: Consideration has not been given. Of course, as my hon. friend knows, there is succession duty payable under the laws of all provinces at the present time.

[Mr. St. Laurent.]

Mr. GREEN: It is not just that simple. Take British Columbia. In certain cases there is no succession duty payable on an estate which is taxable under the Dominion Succession Duty Act.

Mr. ABBOTT: That is correct.

Mr. GREEN: As I read the resolution, it means that the dominion tax is doubled without there being any chance of a set-off.

Mr. ABBOTT: I understand my hon. friend is correct in that statement; but the amounts involved, of course, are very small.

Mr. GREEN: They may not be; they may be quite large. For example, I think our province allows $25,000 exemption for insurance over and above the $20,000 exemption for an ordinary estate, in the case of a wife. That might mean a very big increase in this dominion succession duty, if the estate is one coming within that category. Is it not a fact that unless the provincial succession duty is at least half the new dominion succession duty, the result of this legislation will be to penalize estates?

Mr. ABBOTT: It is correct that if the provincial succession duty were less than the present dominion rate there would be a somewhat higher tax payable in such a province.

Mr. GREEN: That condition will not be changed, even though there should be an agreement with the province?

Mr. ABBOTT: That is right.

Mr. GREEN: In how many of the provinces does this legislation mean an increase in the succession duty payable by people in that province?

Mr. ABBOTT: I am advised that it is not possible for me to give an answer in terms of provinces. There may be individual cases in a province where there might be a slight increase owing to peculiarities in the rate structure, differences in exempted limits, or, for instance, assets which are taxable under the dominion succession duty law and not taxable under the provincial law. Broadly speaking, however, I am informed that in most of the provinces it works out that the average rate of succession duty is equal to or greater than the dominion duties.

Mr. GREEN: Is it not the broad intention of this legislation that where the dominion is going exclusively into the succession duty field in a province, the tax is to be doubled, and where the dominion is not going exclusively into the field in a province, in other words where the province is not giving up its succession duty rights, the dominion is not going

to increase the burden on the residents of that province? Yet under this provision you are increasing the burden on the residents of British Columbia.

Mr. ABBOTT: I can agree with the first part of my hon. friend's contention, but not with the latter part. The intention of this proposed legislation is to establish a rate of succession duty which, as the resolution indicates, is double the present dominion rate. As I say, on average the provincial rates are equal to or greater than the dominion rates, so accepting that as true, on average the proposed provision, with the credit allowance, will mean that the vast majority of estates in all provinces will not pay greater duties. It may well be that in British Columbia, because of special tax laws in that province, there will be some cases in which as a result of this proposed legislation the total amount of succession duties payable will be increased. I agree that this may be the case.

Mr. GREEN: I do not ask the minister to give some consideration to that, because I do not think it fair that people in certain provinces should be penalized in that way. For us in British Columbia it means that in many cases the succession duty is to be increased while in the other provinces it is not; and I do not think that is a fair way for the dominion government to legislate. You should have the same rule for the whole of Canada; you should not bring in legislation which affects one part of the country in a different way from that in which it affects people in the other parts.

Mr. ABBOTT: We believe we have the same rule for all parts of Canada, but I shall take note of my hon. friend's statement and perhaps we can discuss the matter further when the legislation is before the house.

Mr. HACKETT: The burden of this tax will depend, as I see it, upon the extent to which any province relies upon succession duties as a principal source of revenue. If a province on the prairies derives a very small amount from succession duties this enactment will affect it in one way; but a province like Quebec, which if I am correctly informed has the highest effective rate of succession duty of all the provinces, will be prejudicially affected by it. It can only get a rebate of a relatively small fraction of its duty. Does that not follow?

THE ROYAL ASSENT

A message was delivered by Bonner Larose, Esquire, Acting Gentleman Usher of the Black Rod, as follows:

Mr. Speaker, His Honour, the deputy of His Excellency the Governor General, desires the immediate attendance of this honourable house in the chamber of the honourable the Senate.

Accordingly, the house went up to the Senate.

And having returned.

Mr. SPEAKER informed the house that the deputy of His Excellency the Governor General had been pleased to give in His Majesty's name the royal assent to the following bills:

An act respecting the Marking of Articles containing Gold, Silver or Platinum.

An act to amend the Royal Canadian Air Force Act.

An act to amend the Department of Transport Stores Act.

An act to amend the Soldier Settlement Act.

An act respecting Canadian National Railways and the Acquisition of the Manitoba Railway.

An act respecting benefits for persons who served in the Women's Royal Naval Services and the South African Military Nursing Service.

An act to amend the Railway Act.

An act to incorporate Prescott and Ogdensburg Bridge Company.

An act to amend the Yukon Placer Mining Act.

An Act to amend the Research Council Act.

An Act respecting the operation of Government Companies.

An Act to incorporate Cooperative Life Insurance Company.

An act to consolidate and amend the Acts relating to La Societe des Artisans Canadiens-Francais.

An act to amend the Food and Drugs Act.

An act to amend the House of Commons Act.

An act to amend the Public Printing and Stationery Act.

An act to amend The Quebec Boundaries Extension Act, 1912.

An act to amend the Public Printing and Stationery Act. (Advances to the King's Printer.)

An act to amend the Exchequer Court Act.

An act to amend the Criminal Code.

An act for granting to His Majesty certain sums of money for the public service of the financial year ending the 31st March, 1947.

WAYS AND MEANS

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

DOMINION SUCCESSION DUTY ACT

Resolved, that it is expedient to introduce a measure to amend the Dominion Succession Duty Act and to provide:

1. That rates of tax upon or in respect of any succession upon the death of a person after December 31, 1946, shall be twice the rates presently in force and that the tax paid to the government of any province in respect of the same succession be allowed as a deduction from the tax payable under the Dominion Succession Duty Act up to but not exceeding one-half of the tax otherwise payable under the said act.

Mr. ABBOTT: The hon. member for Stanstead had just asked a question, and I am not sure that I remember it exactly; if I am wrong he will correct me. In a province in which the succession duty rate is as high or higher than the present dominion rate, this legislation will not increase the liability of the taxpayer. That is obvious because he is entitled to deduct up to fifty per cent of the dominion rate. In cases where the provincial rate is 50 per cent or greater, then a little exercise in mathematics will show that there is no increased liability. In the province in which there are no succession duties, or where the duties are up to one-half the present dominion rates, then unquestionably the tax liability of estates would be increased when this law comes into effect over the present combined dominion and provincial rate.

Mr. HACKETT: I do not want to review or revive the controversy that we had earlier in the session, but it seems to me that in a province like Quebec, which derives a substantial revenue from succession duties, a heavy burden will be placed upon the people if there is failure to retire from the field of succession duties. That is what prompted my question.

Mr. ABBOTT: The burden is not greater; it will remain exactly the same.

Mr. HACKETT: The burden which was assumed is an incident of the war. Quebec is now asked to retreat from the field which has yielded a very substantial proportion of the income of that province. I will not say there has been a threat, but if a province is wilful and continues in the exercise of its constitutional right to collect succession duty it will suffer as compared with the more submissive province that yields up its right to that tax.

Mr. ABBOTT: No, I should not think so; I think the result would be just the opposite. I think it would continue to be in exactly the same position. The more submissive province which yields up its right to levy on the taxpayer in that province will continue to be in approximately the same position. The only difference will be that the province referred to by my hon. friend as the submissive province will receive the succession duties through arrangement with the dominion instead of collecting succession duties directly through its own succession duties department. That is the only difference I can see.

Mr. MACDONNELL (Muskoka-Ontario): When the minister says a province will receive the succession duties through the dominion does he mean it will receive a sum by reason of its having given up that duty, or does he mean it will in fact receive the succession duties collected for it by the dominion?

Mr. ABBOTT: The province will have rented its right to collect succession duties and will be paid a sum in lieu of that right, as well as of others.

Mr. HACKETT: Could the minister give the figures which would show the present duties exigible, say on an estate of $50,000, where a man leaves a widow and two children, breaking it up into dominion and province of Quebec rates?

Mr. ABBOTT: I have not the figures for a man leaving a widow and two children, but where a man leaves a widow with an estate of $50,000 the present dominion tax would be $1,470 and the provincial tax would be $2,000. The combined tax is $3,470, and under the proposed legislation there will be no change in the total reported.

Mr. HACKETT: Could the minister give the same information for Ontario?

Mr. ABBOTT: I do not happen to have it on $50,000 for Ontario, but I have it for $60,000.

Mr. HACKETT: Take $60,000, and give it also for Quebec.

Mr. ABBOTT: Well, for some reason or another they have not $60,000 for Quebec.

Mr. HACKETT: Have you some figure common to all the provinces which will help?

Mr. ABBOTT: I have given $50,000, so perhaps I had better stick to that. I have already given it for Quebec. In Ontario the provincial tax is $1,438 compared with $2,000 in Quebec; the dominion tax is $1,470, and the total tax $2,908. No change under the proposed legislation.

Mr. GREEN: There would be, I think, a slight increase there, where the Ontario duty is a little lower than the dominion.

Mr. ABBOTT: In that case, I am informed, there would be perhaps $12 or $14 difference, the Ontario duty being somewhat less than the dominion duty—actually, $32 less. If my hon. friend is interested in comparative figures I will put them all on. All this is contained in the volume entitled "Succession Duties", a reference book to the dominion-provincial conference on reconstruction, table 2, page 24.

Mr. HACKETT: I am grateful for the information, but would the minister put on

record the position with regard to a person dying and leaving to a widow $50,000 in Saskatchewan, for instance?

Mr. ABBOTT: On $50,000 in Saskatchewan the provincial tax is $1,375, the dominion $1,470, a total tax of $2,845. There would be a small increase in that bracket—a difference of $95, I am informed—in Saskatchewan.

Mr. HACKETT: And Prince Edward Island?

Mr. ABBOTT: Prince Edward Island: provincial tax $3,750, dominion tax $1,470, a combined tax of $5,220. No change.

Mr. BROOKS: What is New Brunswick?

Mr. ABBOTT: New Brunswick: provincial tax $2,200, dominion tax $1,470, total $3,670. No change.

Mr. ROSS (Souris): Would the minister give the figures for Manitoba?

Mr. ABBOTT: Manitoba: provincial tax $1,725, dominion tax $1,470. No change. I have given the figures for Ontario. Alberta: provincial tax $1,800, dominion tax $1,470, total $3,270. No change. British Columbia: provincial tax $563, dominion tax $1,470, total tax $2,033. Increased tax, $907.

Mr. GREEN: You see, Mr. Chairman, that shows the unfairness of this provision so far as British Columbia is concerned; it is highway robbery.

Some hon. MEMBERS: Hear, hear.

Mr. ABBOTT: My hon. friend seems to have a sympathetic audience behind him.

Mr. GREEN: I would refer the Acting Minister of Finance to the budget speech, *Hansard,* page 2910, where the Minister of Finance used these words:

> . . . the general burden of the combined dominion and provincial succession duties in those provinces which continue to levy succession duties will be the same as at present.

In other words, he gave the assurance that if a province did not come into this agreement the citizens of that province would not have to pay increased succession duties by reason of the change in the Dominion Succession Duty Act. Yet you have this change brought in by the government, which, in the case the minister has just mentioned, makes a difference of $900, double the amount of the provincial tax. I suggest that that situation could be met by inserting a proviso to the effect that succession duty levied by the dominion under this doubling of succession duty tax is not to be increased in a non-agreeing province; in other words, that there is to be no increase in succession duty in a non-agreeing province.

Mr. ABBOTT: I will take a note of my hon. friend's representation. He will observe that the minister in the statement said, the "general burden of the combined dominion and provincial succession duties." It varies, depending on the bracket and the rate.

Mr. GREEN: But as I read that statement of the Minister of Finance it meant that the citizen of a province that did not agree was not to be discriminated against by reason of this change in the dominion succession duty law and he would not have to pay any increased tax.

Mr. ABBOTT: There is no distinction between provinces that agree and disagree so far as tax treatments are concerned.

Mr. GREEN: There is, in that very statement. It refers to provinces which do not agree.

Mr. HACKETT: Is that a complete statement?

Mr. ABBOTT: I make that as a positive statement: there is no distinction made between provinces which agree and which disagree so far as tax credit is concerned.

Mr. HACKETT: There is no complete agreement between the different provinces, and you find overlapping and double succession duty as between the provinces. A man who dies in Montreal owns stocks which are on a register in Edmonton, and Alberta collects duty on an asset which is subject to duty in Quebec. Now under the agreement which is held out that would disappear; it is an added enticement, possibly, to kneel down and adore.

Mr. ABBOTT: I do not accept the phrase money.

Mr. HACKETT: Yes, kneel down and save money.

Mr. ABBOTT: I do not accept the phrase, "kneel down."

Mr. HACKETT: Kneel down at that price. But I think the minister will admit that to that extent his statement was not all-embracing. I think that that does constitute an exception to the broad statement which he has made.

Mr. MACDONNELL (Muskoka-Ontario): Can the minister indicate what the increased revenue would be to the dominion? As I see it, the only place in which the dominion will get anything additional as the matter stands is in provinces where the tax is less than the

dominion tax. That is, where the tax is equal to the dominion tax the dominion doubles the tax and takes half of it off. How much more will the dominion get? I am puzzled to understand why this legislation was introduced at all. Is there specifically a benefit to the dominion treasury, or is there some other point of which I am not aware?

Mr. ABBOTT: The figure of course would have to be based on the past year, because one cannot tell what the rates will be in the future. Assuming the number of deaths and the value of estates to be the same as last year, the total collectible by the dominion would be double, but it would have to give credit up to fifty per cent of its tax for the tax paid in the particular province in which the deceased was resident. I am advised by the deputy minister that the net result would be about the same, assuming that no province entered into the suggested agreement.

Mr. MACDONNELL: (Muskoka-Ontario) When you say "the net result would be the same" you mean the dominion would get about the same as it does now?

Mr. ABBOTT: Yes.

Mr. MACDONNELL (Muskoka-Ontario): That is what I rather guessed. Then why this change in the legislation? Is it not a long way round to get to the same place?

Mr. ABBOTT: If a province agreed and went out of the succession duty field, in that province there would be only half the rate in force as compared with the other provinces, and one purpose of this is to endeavour to achieve reasonable equality of succession duty rates throughout Canada.

Mr. MACDONNELL (Muskoka-Ontario): I am not sure that I follow the minister when he says half the rate. Does that mean that the dominion rate is so much less than the provincial rate that even doubling the dominion rate means that there will be only half as much as before?

Mr. ABBOTT: Let us say that the dominion rate on an estate to-day would produce $1,500 and the provincial rate $1,500, or a total of $3,000. That is the present tax liability of the estate of a deceased, let us say, in the province of Quebec. The province of Quebec decides to come into the agreement and goes out of the succession duty field. If then the rate were not doubled the result would be that in the province of Quebec the succession duty liability would be restricted to $1,500, the dominion rate, whereas in Ontario, which for the purposes of our argument we will assume has the same rate of tax, an estate of the same size would continue to pay $3,000.

Mr. MACDONNELL (Muskoka-Ontario): That does not answer my question. That is supposing a state of affairs to exist which does not exist at all. As I see it, the dominion is putting into one pocket exactly what it takes out of the other. In other words by doubling the tax you are not going to alter the situation. There must be some other reason for this. If you are not going to get any more money, what are you getting?

Mr. ABBOTT: I am afraid I cannot follow my hon. friend's argument.

Mr. MACDONNELL (Muskoka-Ontario): The minister said in answer to me a moment ago that the dominion government was going to get virtually the same sum by doubling the tax.

Mr. ABBOTT: I qualified that; I said, "if" none of the provinces came into this agreement. If some come in, the dominion will obviously get more, and to those provinces the dominion will have to make the payments provided for in the agreement. If all the provinces come in, the dominion will get approximately double what it is getting to-day. If only some come in, it will get less than double.

Mr. GREEN: Is there not another way of getting around the difficulty for a province that is in the position of British Columbia? Could you not say that there shall be no doubling of dominion succession duty except in a province which agrees to give up the levying of succession duty taxes?

Mr. ABBOTT: I have promised to give consideration to the representations my hon. friend has made on that point. I should like to think them over.

Mr. HACKETT: A province that is relying upon succession duties for a big proportion of its revenue is more seriously affected by this proposal than a province that is not relying upon succession duties to the same extent. For instance, where the duty on an estate of a given amount under Quebec law is $2,000, under British Columbia law the payment is only $500. So by yielding up succession duty Quebec suffers much more than does British Columbia or does any other province which has a low succession duty. Is that not a fact?

Mr. ABBOTT: Not necessarily, because British Columbia may be relying for its total revenue on other types of taxation.

Mr. HACKETT: Yes, on other types which are not taken over by the federal government.

Mr. ABBOTT: I do not know that that is the case. It may be that British Columbia is getting a larger revenue from personal income tax and certain corporation taxes than was Quebec. As a matter of fact I think it does get a very much greater revenue from those sources. There is a quid pro quo all along the line.

Mr. HACKETT: In so far as the issues are before us, British Columbia would be in a much better position by yielding up succession duties than Quebec or Ontario would be.

Mr. ABBOTT: I cannot agree.

Mr. HACKETT: On the estate that I referred to British Columbia would yield up but $500, whereas on an estate of an equal amount the province of Quebec would yield up $2,000.

Mr. ABBOTT: That is only one element in the revenues which the provinces are yielding.

Mr. HACKETT: The others are personal income and corporation tax.

Mr. ABBOTT: Gasoline tax and the rest.

Mr. HACKETT: There you get into a field where there was not complete understanding. The minister based his offer on the three taxes just mentioned, personal income, corporation tax and succession duties.

Mr. MACDONNELL (Muskoka-Ontario): Let me ask this question. Will the minister agree to these two propositions? First of all, having regard to the provinces that are likely to be adhering provinces, to use the minister's term, and to the amount of income which they have raised from succession duty, the amount which the dominion is likely to get by doubling this tax is comparatively trivial. Second, would not this provision be a very strong deterrent to a province raising a substantial amount of succession duty from increasing its succession duty rate any further?

Mr. ABBOTT: Of course it is obvious that if a province is now levying a rate higher than the present dominion rate, this would be no deterrent because they are up already to the dominion rate. It may be a deterrent to increasing rates still further.

Mr. MACDONNELL (Muskoka-Ontario): That was my question. Would it not be a strong deterrent to a province increasing its rate? I want to be clear on that.

Mr. ABBOTT: My answer is, no more than there is to-day. If it is 56 per cent to-day, there is a deterrent to raising it to 60 per cent. If they raised it to 60 per cent there would still be a credit up to half of the dominion tax.

Mr. MACDONNELL (Muskoka-Ontario): If the province should raise its rate the rebate is half of the dominion tax, not half of its own.

Resolution agreed to.

Mr. ABBOTT: Mr. Chairman, I should like to go back to resolution 12 of the Income War Tax Act.

INCOME WAR TAX ACT

12. That for the 1947 and subsequent taxation years, the provisions exempting the income of certain cooperative companies and associations be repealed and that for the 1946 and subsequent taxation years provision be made that there may be deducted from a taxpayer's income the aggregate of the payments made,

(a) in the taxation year or within six months thereafter to his customers of the taxation year; and

(b) in the taxation year to his customers of a previous taxation year after the 1941 taxation year and not previously deducted under paragraph (a)

in respect of specified allocations in proportion to patronage for the said years the prospect of which was held forth

(c) by the statute or bylaws under which the taxpayer carries on business or by his contracts with his customers, or

(d) by the taxpayer in a specified manner prior to the commencement of the taxation year except that portion of such payments as would if deducted leave the taxpayer with an income less than an amount determined by deducting from three per cent of the capital employed in the business, including therein borrowed moneys, the interest paid by the taxpayer on borrowed moneys and deductible as an expense in computing his income.

Mr. ABBOTT: This resolution and succeeding resolutions up to No. 15 deal, broadly speaking, with the taxation of cooperatives. As hon. members are no doubt aware, numerous representations have been made by cooperative organizations regarding the budget proposals as they affect their operations. The government has considered these representations carefully, for it is anxious that the tax laws should not only be fair and equitable but workable. This, as hon. members are aware, is an extremely difficult and contentious field of taxation, and I doubt whether any legislation can be framed which will please everyone concerned. The best that can be hoped for is a reasonably equitable plan which preserves equity between various forms of enterprise. The government felt that the best way to arrive at this equitable plan was to appoint a representative commission to hear evidence and to bring in a report. This it did in 1944, and may I remind hon. members that this commission included a member nominated by the Cooperative Union of Canada, a member nominated by the Canadian Chamber of Commerce, two impartial and

highly regarded economists, and a judge. I do not think anyone could accuse this commission either of bias or of lack of competence.

To a very large degree the government has adhered to the commission's report. The report is not necessarily the final word on the subject, but unless the government is to take the view that the commission was incompetent or biased, I think it has every reason for giving the recommendations a fair trial.

Some of the representations received have, in effect, urged the government to reject the commission's main line of approach and enact legislation giving special exemptions to cooperatives generally. These could not be accepted. A number of representations have been made, however, which the government is able to accept without a major change of policy or without departing too far from the commission's recommendations. Two of these suggestions necessitate amendments to the resolution, and in a few moments I shall ask one of my colleagues to make the necessary motion. For example, certain cooperatives have pointed out that it is physically impossible for them to pay out patronage dividends within six months after the end of their fiscal years. Accordingly it is proposed to allow twelve months for such distributions. Certain other cooperatives find that the limitation with respect to payment of patronage dividends for years earlier than 1942 presents difficulties. This limitation was originally inserted because until 1941 very few cooperatives paid any tax whatever and were therefore free of tax on patronage dividends allocated but not paid. To give exemptions when these amounts are paid out would therefore result in a double benefit to the taxpayer. However, in view of alleged discrimination between cooperatives, some of which operate on a five-year revolving fund and some of which finance themselves out of a fund which revolves over a period longer than five years, the limitation is being withdrawn.

These are relatively minor changes. More important is the question whether patronage dividends should be deductible if paid at a different rate to members than to non-members. As my colleague the Minister of Finance pointed out, the government in framing its proposals on this point followed the recommendations of the McDougall commission. The commission was in unanimous agreement that patronage dividends should be paid equally to members and non-members. I am emphasizing this because the impression seems to have been created that by proposing this rule the government was attempting to make it difficult for cooperatives to grow and enlarge their membership. Nothing could be further from the truth. It is clear, however, that many cooperatives fear that the requirement of equal treatment for members and non-members would be prejudicial to their development. Since the government has no desire either to hamper the development of the cooperative movement or to appear to be hampering that development, it is willing to go a long way toward meeting this objection. In fact the government proposes to accept in principle a plan proposed by a great many of the cooperatives themselves. These cooperatives have suggested on many occasions that they should be free to make a distinction between members and non-members but should be required to pay tax on income derived from dealings with non-members. While this does not affect the resolution itself, which is in very general terms, I am taking this occasion to say that in the legislation founded on the resolution provision will be made whereby a cooperative which wishes to pay patronage dividends only to members, or at a lower rate to non-members, will be able to treat such patronage dividends as a deduction, provided that they pay tax on income arising from non-member business.

In order to anticipate any discussion there may be on the point, I should perhaps add that the proposed legislation will meet the case of certain cooperatives, such as the Alberta and Saskatchewan wheat pools, which wish to transfer certain outstanding obligations from inactive members to new and active members. Provision is already made, of course, for the continued operation of ordinary revolving funds.

So far as the resolutions affecting the future operation of the cooperatives are concerned, that is all. There is a question which has been raised by a number of hon. members in the course of the budget debate relating to what in my judgment has been inaccurately referred to as retroactive taxation. I refer, of course, to the assessments made against the western wheat pools for income tax during the years 1942 to 1945 inclusive. The committee will recall that in his budget speech the minister made an offer to the pools of settlement of these claims. Following the delivery of the budget speech the minister met the representatives of the pools and discussed the question with them. The members will recall that later the minister said that he had had this discussion, and that if it were felt by the pools that the proposed offer of settlement was not fair he was prepared to consider some further adjustment. Following the minister's departure I met the representatives of the pools on Monday. They submitted to me a counter-

proposal for settlement of these claims. That counter-proposal is now under consideration by the government, and I simply want to say I am confident that a settlement will be arrived at which will be satisfactory to all concerned, but which, I must emphasize, must be fair to all those, including the general public, who are affected. Other than that I do not wish to say anything more at the moment.

Mr. BRACKEN: I am not aware that I fully comprehend the changes in the government's programme which the minister has announced. I have in front of me the resolution which is before the committee, and that resolution, as I said in my address the other day, we do not regard as satisfactory.

Mr. ABBOTT: Before my friend proceeds with his remarks, will he allow me to have an amendment moved to resolution 12?

Mr. BRACKEN: I have an amendment of my own.

Mr. ABBOTT: It is the amendment to which I referred in my remarks.

Mr. BRACKEN: Perhaps the minister would permit me to make some observations and then we shall consider his proposal.

Mr. ABBOTT: I do not wish to interrupt my hon. friend, but in my statement I said I would ask one of my colleagues to move the amendment. I have indicated what the amendment is.

Mr. BRACKEN: I shall withhold my amendment, but perhaps I may be permitted to make some comments now.

Mr. ABBOTT: The amendment is a short and simple one, and I think in the interests of order it should be moved.

Mr. IRVINE: We ought to have it so that we shall know what changes have been proposed.

Mr. MACKENZIE: I move:

That the word "six" appearing in paragraph (a) of resolution 12 be replaced by the word "twelve"; second, that the words "after the 1941 taxation year" appearing in paragraph (b) be deleted.

Mr. BRACKEN: As I read the resolution before us, Mr. Chairman, it has three objectionable features. In my address the other day I objected to the government's programme on four grounds; and on a fifth ground I said we would require further light from the government before determining what attitude to take. This resolution deals with three of the points upon which we took objection. The government's resolution provides for the exemption of patronage dividends only if they are paid in cash. We think there should not be any such limitation, and the amendment I shall propose, when it is in order to do so, is that these dividends may be paid in cash or its equivalent of any kind. The resolution also requires the compulsory payment of patronage dividends to non-members.

Mr. ABBOTT: Not now. It never did, as a matter of fact, but I have stated that the legislation will not include that.

Mr. BRACKEN: Your amendment does not deal with that.

Mr. ABBOTT: The resolution does not deal with it at all, as my hon. friend will see if he will look at it. I think the statement I made a moment ago has cleared that up.

Mr. MACDONNELL (Muskoka-Ontario): The minister's speech did.

Mr. ABBOTT: My hon. friend is quite right. In his budget speech the minister indicated that payment of patronage dividends would be compulsory to both members and non-members alike, which of course was the recommendation of the McDougall commission. The statement I have just made indicates that following representations which have been made, this will not be included in the legislation.

Mr. BRACKEN: I do not mind the minister interjecting these statements, but I am speaking of the resolution which is now before us, and I was coming to the changes he now tells us the government is going to make.

Mr. ABBOTT: No change in the resolution on that point.

Mr. BRACKEN: In my reading of the resolution you have changed it. Look at paragraph (c):

. . . by the statute or by-laws under which the taxpayer carries on business or by his contracts with his customers . . .

His customers are not all members; some are non-members. That term is used in another place as well; look at paragraph (a):

. . . in the taxation year or within six months thereafter to his customers of the taxation year . . .

His customers are not all members.

Mr. ABBOTT: It does not say "all his customers" in the legislation either.

Mr. BRACKEN: It says "to his customers".

Mr. ABBOTT: Yes, but not to all his customers. Perhaps I should not interrupt my hon. friend, but I have made it as a statement of government policy. My hon. friend knows these resolutions are drawn up in general terms. It is perfectly true the

minister stated in his budget speech that patronage dividends, in accordance with the report, were to be required to be made to all customers, and the legislation would have so provided had there not been the change I have just indicated.

Mr. BRACKEN: If the minister will permit me to say what I have to say, I shall come to what he said. This resolution is government policy. This was all we had before us until the minister rose five minutes ago. Objection had been taken to the government proposals. Now the minister comes along and says the government is going to change its plans, which we want to see him do. I am not trying to say he is not changing his plans. It is perfectly clear that the original intention of the government was to require that non-members be paid patronage dividends. Now the minister says they are not going to require that. I do not see that in the amendment he has proposed, but we will accept his statement on that point.

The third point as far as this main resolution is concerned is that it places a limitation on the exemption in the case of moneys expended by the organization in the purchase of the interest of members, only if that interest had been acquired after 1941. We say that limitation should be removed.

Mr. ABBOTT: I also stated that this has been taken out.

Mr. BRACKEN: I commend the minister for that change of policy too. I gather from what the minister has said that his amendments do not cover the point about the payment of patronage dividends in cash or in kind?

Mr. ABBOTT: In one case it does. I am told that where they want to transfer stock certificates or deductions from an inactive member to an active member, it will be covered by the legislation. I may say to my hon. friend that I am not an expert in the operation of cooperatives. I am sure he knows much more about them than I do, but I am informed that is what will be done.

Mr. BRACKEN: If that is correct the changed policies of the government go part way to meet our objections. But I want to see the legislation before I accept it fully. Since the minister's amendment has been before us only for the last few minutes, it is pretty hard to apprehend its full meaning. I do not see that the first part of the amendment changes the principle it deals with at all. It simply provides that the word "six" appearing in paragraph (a) be replaced by the word "twelve."

[Mr. Abbott.]

Mr. ABBOTT: That means they will have twelve months in which to pay a dividend, instead of six.

Mr. BRACKEN: It does not alter the principle.

Mr. ABBOTT: No.

Mr. BRACKEN: Then the amendment provides that the words "after the 1941 taxation year" appearing in paragraph (b) be deleted.

Mr. ABBOTT: That leaves it wide open as far as the year is concerned.

Mr. BRACKEN: If you will permit me to place my interpretation upon this particular point, you have accepted our suggestion with respect to it.

I should like to have the minister further elaborate the amendments he has now proposed, if he would, because to the extent that the objections I have raised are covered by the changed government policy, we shall accept them. To the extent that they are not fully covered we shall of course have to come along, either now or later, and do our best to see that they are covered.

Mr. ABBOTT: I think all my hon. friend's objections have been met, but perhaps when he has had an opportunity of reading the prepared statement I gave this afternoon he will be able to see whether or not that is so. If not, I appreciate that he will be free to renew his objections or his suggestions when the specific statutory measure is before the house and the committee.

Mr. ZAPLITNY: I refrained from taking part in the budget debate chiefly because I wanted to feel justified in taking a little time to place my views before the committee on this very important question. When I gave way to the leader of the opposition a few minutes ago I hoped he would cover the subject so thoroughly that it would not be necessary for me to take very much time. I must confess that I was somehow disappointed in what I heard. The question which has been brought before the committee is one which requires looking into to a greater extent than simply changing the wording of the resolution, or the legislation which may follow. I say that because the whole question whether this government and future governments are going to take an appropriate attitude toward cooperative enterprise is at stake.

The resolution before us starts out by providing for the repeal of what are here described as certain provisions exempting the incomes of

certain cooperative companies. It does not name those provisions, although I imagine the reference is to section 4 (p) of the statute.

It is significant that that section was not mentioned either in the resolution or in the remarks of the Acting Minister of Finance. It provides for the repeal of that section. What is proposed in its place? As I understand it, that is the only piece of legislation on the statute books which pertains to cooperatives as a whole. If it is taken off the statute books what is to be put in its place? What shall we be left with? That is my question.

I hope the Acting Minister of Finance will be able to tell us to-day, or in the near future, that he is bringing down, or that the government is contemplating bringing down, a dominion cooperative act, so that in the future cooperatives will have something to lean on, something to guide them and to show them when they are right or when they are wrong. Much of the controversy over this question in the last few years arose from the fact that there was nothing on the statute books definite enough to guide the cooperative movement. In fact had it not been for the indefiniteness of section 4 (p) it is possible we would not be considering these matters to-day. As I have said, if in the near future the government will bring down a dominion cooperatives act setting out clearly the definition of a cooperative, and making definite provisions in the tax law for cooperatives as such, we shall save ourselves a great deal of trouble.

When we examine closely resolution 12 we find it does not provide, nor does it contemplate providing, anything for cooperatives as such. It refers to certain companies and to taxpayers, but after section 4 (p) has been repealed there will be nothing to provide for cooperatives as such. In other words the effect of the whole thing, as I see it, will be to place cooperative enterprise in such a position that it will be drowned or immersed in private enterprise. There will be no cooperative enterprise recognized as such. The very fact that the section is to be repealed, and that the resolution as it stands to-day, even with the amendments, is so vague, shows that the government evidently has not taken into consideration the enacting of a dominion cooperatives act, which would be something upon which cooperatives could depend.

Passing on from there—

Mr. HACKETT: Before the hon. member passes on to another item, perhaps I may ask the minister if the dominion could enact such legislation, or if it is a matter falling within the jurisdiction of the provinces.

Mr. ABBOTT: I would find it difficult to give an answer offhand, but I shall give the matter consideration.

Mr. ZAPLITNY: If the question had been directed to me—and it would be strange if such an eminent lawyer asked a school teacher an opinion on a constitutional question—

Mr. HACKETT: I like to be sure.

Mr. ZAPLITNY: —I would answer in this way, that I think it is within the competence of the dominion government to pass a statute when the provinces are willing to pass concurrent legislation so as to make it legal in each province. The hon. member will be able to figure that out for himself while I pass on to something else.

Mr. SENN: I hesitate to ask the hon. member a question, but would he give us a definition of a "true cooperative"? There seems to be some difficulty in deciding just what a true cooperative is.

Mr. ZAPLITNY: I am not prepared extemporaneously to give a definition of a true cooperative, because that is a question which seems to have stumped the experts. The McDougall commission did not in their report define a true cooperative. So that I shall not assume that responsibility to-day. I could direct the hon. member to a source. If he would get in touch with the Cooperative Union of Canada, they could give him a good definition.

Mr. SENN: I am afraid they do not agree either.

Mr. ZAPLITNY: That is a matter for argument. To go on with what I was about to say, may I point out that I have been informed that a cooperatives act of the kind I have indicated was promised by political parties in the past. I believe it was at the time of the 1911 election that the political parties which were national in scope held out such a promise. Evidently they must have felt it was a proper and constitutional thing to do.

Listening to the Minister of Finance in his second speech on the budget one would have gained the impression that it was the C.C.F. group which was kicking up all the row about the taxation of cooperatives. This is what the minister said at page 3591 of *Hansard:*

> Hon. members, particularly hon. members of the C.C.F. have taken a position that is surprising to me, that what we are proposing constitutes an attack on cooperatives.

Then, at page 3593 he returned to that subject and said:

I must say that we have tried to be so fair to cooperatives in this matter that I have been a little surprised at the fury of the attack of some members of the C.C.F. on our motives and on our acts in this regard.

I can hardly agree that there was fury in our attack. There may have been a little forceful language, but I do not think we exhibited actual fury. The point I would bring out is that what we have said in the house and what we are doing now is not something undertaken because we want to cause controversy. What we are trying to do is to reflect the feelings of cooperatives themselves. In order to establish that, I wish to read from advertising or a directive appearing in an issue of the *Manitoba Cooperator* of July 19, 1946. The heading in large letters is "Act Now", and it goes on to say:

The whole subject of budget proposals on the taxation of cooperatives is a serious matter. If strong action is not now taken it may be seriously regretted in the near future. Members of cooperative organizations have their opportunity now to stick together to protect themselves in the present crisis.

These are strong words.

It is a struggle to keep discriminatory and arbitrary legislation off the books. Let Ottawa know that you do not want this legislation. It is vicious. Act now.

This is not C.C.F. propaganda; this is the cooperator speaking. I could quote from various publications in the last few weeks in which it is indicated that the cooperatives have reacted violently to the proposals brought down in the budget.

Mr. ABBOTT: In fairness I think it should be said that I do not think they fully understood them.

Mr. ZAPLITNY: I am glad the government has gone to the extent of offering the amendments placed before us to-day. They do not satisfy all the demands. They go part of the way. As a matter of fact I had an amendment drawn up which I would have presented had I been given an opportunity. If as time develops we find that the amendments now proposed are not what they appear to be, we may still have to present our amendment.

When the minister said in his speech that he was leaning over backward in order to be fair to the cooperatives there must have been something wrong somewhere. The cooperatives immediately and spontaneously rejected the proposal. In the brief time between the presentation of the budget and the present debate the government found it necessary to change its policy. I know the acting Minister of Finance tried to make it appear that it was not a change in fundamental policy, but—

[Mr. Zaplitny.]

Mr. ABBOTT: I did not try to give that impression at all. I said frankly that following the representations which had been made we had decided to make these changes. I think there is one change which is certainly fundamental in character from the findings of the McDougall commission report, that is the different treatment given to members and non-members. I do not want it said that I tried to make it appear that there was no change in policy.

Mr. ZAPLITNY: Perhaps I was wrong, but that is the way it appeared to me. The acting minister apparently was not quite willing to accept the statement of the leader of the opposition that this was back-pedalling in policy.

Mr. ABBOTT: I never like such terms as back-pedalling. I am always willing to change my mind when I hear representations which convince me that they are well founded.

Mr. ZAPLITNY: I congratulate the acting minister upon that attitude because I think that is the proper way to look at it. I think we should recall what were the objections of the cooperatives, in order that we may have a background upon which to decide whether the concessions made are sufficient to satisfy those objections. I should like to put on the record something which has been put on already in bits here and there. These are five objections to the proposals, made by the Manitoba federation of agriculture and cooperation, which I believe speaks at least for all the Manitoba cooperatives. From the telegrams and letters I have received from other provinces I think substantially the same objections have been taken there. I quote:

1. Proposals ignore basic differences between cooperative and private business.
2. They force cooperatives to treat members and non-members alike in respect to patronage dividends. This would eventually destroy cooperatives.
3. Proposals prevent cooperatives from providing service at cost by forcing them to pay tax on three per cent of employed capital.
4. They interfere with the right of the individual member to leave his earnings with his own cooperative by forcing payment in cash within six months.
5. The proposals provide that the minister may in his discretion discriminate between cooperatives in the matter of retroactive taxation with the result that cooperatives do not yet know their tax positions.

As I said, some of these objections have been overcome by the amendments, but taking the five objections as a whole I doubt whether if the cooperatives will acquiesce in what has

been presented to-day. I do not think we should hold back on the demands that they have made. I should like to refer to one of the proposals which I think is ill-considered, that is the proposal to force—I do not know whether that word will be acceptable to the acting minister—the cooperatives to pay a profit of three per cent on the capital employed. I think I can establish what I have in mind.

Apart from the amount of money which will be involved, which I submit is a secondary consideration, the principle involved is that these cooperatives have organized on a cooperative basis; they have signified quite clearly that they do not believe in the opposite way of doing business, the private enterprise system. They organized their cooperatives to overcome the weaknesses in the other system and yet the government comes along and in effect says: You are going to become a good capitalist organization and like it. We are going to make you pay profits on the capital employed, or else you will be penalized for not doing it. This is a fundamental issue in this matter. Why should any government which prides itself on being a free enterprise government force any organization or any group of organizations to do business in a way in which they have signified they do not believe? The very fact that they have organized themselves into cooperatives shows that they have lost faith in the private enterprise system. Although this three per cent proposal is a small thing in itself, it serves to remind them that they are still living in a capitalist society and are to have capitalism shoved down their throats whether they like it or not. I object to that.

I believe there is room in a democratic society for all forms of enterprise. Whether we believe in one form or another is neither here nor there. At the present time there happens to be in office a government which believes in private enterprise. Well and good; but at the same time we are living in a free economy, and we should permit cooperative associations to do business in the way they wish without interfering with their internal arrangements by saying: You must pay so much on the capital employed. I take strong objection to that, and I hope the proposal will be withdrawn before this discussion is over. The government seems to have overlooked the economic and social values of the cooperative movement as a whole.

Mr. ABBOTT: Not at all.

Mr. ZAPLITNY: This is not altogether a question of dollars and cents; it is primarily a matter of principles and values. There are more values in society than dollars and cents. Earlier to-day we did hear something about how success can be measured, but I do not think it can be measured by the wealth accumulated. The cooperative movement in this country should be the pet of the Minister of Finance. The Minister of Finance told us the other day that there is still a great danger of inflation. It is in the interests of all who want to ward off inflation to promote the growth of the cooperative movement.

I should like to give some figures to show how the cooperative movement would help in preventing inflation. Inflation is not caused only by surplus money, although that erroneous impression has been left upon the minds of the people. They have been told that when they have too much money there is danger of inflation, but there is another factor that enters into the picture besides the surplus money over the amount of goods available. There is the urge to raise prices. You can have an abundance of money and a shortage of goods, but if there is no urge to raise the price of each unit you will not have inflation. Under the private enterprise system there is the urge to raise prices at every opportunty, because prices reflect income and profit. I am not saying that that is immoral, because at the present time it is probably the natural reaction under the economic system that is now operating; but there is that motive.

If goods are in short supply and money is plentiful, those who have goods to sell and who are in position to set the prices of the goods they sell will raise their prices as high as they can by letting people bid against each other in order to create an inflated price. But with a cooperative movement the situation is different. In a cooperative organization the customer is also the owner, and there is no motive for him to raise the price which he himself has to pay. The motive is service at cost. It does not matter what shortages there are or how plentiful money is; there is no incentive for a cooperative to raise prices against itself. For that reason the cooperative movement has a stabilizing effect on our economy.

Here are the figures I said I would give. In Sweden it is admitted that the cooperatives have risen to great heights. They have been effective in reducing the prices of the following commodities: The price of margarine has been reduced by 59·2 per cent; flour, in spite of the fact that the price of wheat went up, went down 11 per cent; rubber footwear, 58·8 per cent; linoleum, 15 per cent; electric light bulbs, 37 per cent; gasoline 55·4 per cent—it is too bad we did not have cooperation on the prairies last fall in the gasoline business when the price of gasoline was increased by two cents a gallon.

Mr. McCANN: Over what period did these decreases take place?

Mr. ZAPLITNY: I have not the precise years. It was over a period of time. Silk fibre went down 50 per cent in price and superphosphates went down 15 per cent. That shows the effect which cooperatives can have on the whole economy if they organize to protect themselves from the high prices they would otherwise have to pay. I do not think the period has any particular bearing on this discussion, may I say in reply to the Minister of National Revenue. The fact that the cooperatives in Sweden have been able to reduce prices shows what a stabilizing effect they can have on the whole economy. For that reason I think the Minister of Finance should be very happy to do everything possible to promote the growth of cooperatives at this particular time.

Cooperatives have another economic value which is important, and that is in the prevention of the growth of monopolies and cartels. I have a clipping here from the *Christian Science Monitor* of July 17, 1946, in which certain figures which are illuminating are given in an editorial. It points out that fifty years ago there were 15,000 tobacco manufacturers; to-day there are less than 300. It goes on to say:

> At the turn of the century there were nearly 700 iron and steel manufacturers; now there are fewer than 300. Manufacturers of lumber and lumber products numbered 28,000; now there are fewer than 12,000.

That shows the effect which monopolies have had on private business. The editorial goes on to say:

> In another generation, unless the trend is reversed, there will be no opportunity for a businessman to enter any of the 100 or so basic industries in this country, except by the tolerance and patronage of the three or four companies controlling the entire industry.

If the government were to make a tax increase of two cents on the dollar everybody in the country would be up in arms, I am sure the minister will agree, but monopolies, through the very fact of controlling industries, can raise prices of commodities ten and fifteen per cent and, because we do not know just how and when it is done, we do nothing about it except complain. But the cooperatives do something about it. They do not just sit around and grouch. They organize themselves to give service at cost, and they prevent the growth of monopolies by giving the people of the community an opportunity to do business for themselves with themselves. That is an important function which the cooperative movement is performing.

[Mr. Zaplitny.]

I would urge those who express such great love for the free enterprise system, which to my mind began to die when capitalism was born, to do everything possible to preserve the cooperative movement and help it grow, because it is the surest way of giving everybody an opportunity to do business, whether it be called free enterprise or not. But if it gives everybody an equal opportunity and satisfies those who want free enterprise, I say they should support it.

I should like to quote from the *Western Farm Leader,* published in western Canada. In its issue of Friday, July 19, 1946, it gives some pretty strong advice to the government.

Mr. ABBOTT: We get lots of that.

Mr. ZAPLITNY: It says in an editorial:

> By their failure to take into account the special social significance of the cooperative movement, the proposals respecting the taxation of cooperatives made by Mr. Ilsley in his budget speech reveal the reactionary trend of government policy. These proposals, if enacted into law, would remove, in certain important respects, the differentiation between cooperatives and profit-making enterprises which those who recognize the social value of cooperation have always properly stressed.

That brings me to the next point, the social value of the cooperatives. I have pointed out their economic value. From the social angle everybody will admit that the cooperative movement has done more than any other single agency to bring people together. This country of ours, made up of so many types of people, has been suffering and to a degree is still suffering from national disunity. There have been prejudices and divisions which have tended to divide the people and set them against each other when they should have been working together. The cooperative movement has, in my experience and in the experience of others, tended to bring people together on a common ground on the basis of self-help and for the good of the community. People of various religious beliefs and racial origins have been able to get together and work for the common good in an organization such as their local cooperative. The value of that cannot be overemphasized. It has also the educational value of giving every member an opportunity to know something about his own business. We are often told in this house that we should not discuss certain matters because we know nothing about them. If that were to prevent members from speaking, this would be a silent chamber. I maintain that through the cooperatives people have learned more about their business and what makes the clock tick in our economic system than they could have learned in any other way, because they are the owners of

the business, the customers, the management and everything else in their own organization. In that way they see every side of the question.

It has been asked, what is the attitude of labour on the taxation of cooperatives? There are, unfortunately those in Canada who would like to drive a wedge between organized labour and the organized farmer. Most of the cooperatives in this country are in the hands of organized farmers. I have checked the magazines and other publications of organized labour carefully, also the news letters they send out, and I find that almost invariably the labour unions of this country have come out in favour of the cooperative movement and are protesting against the budget proposals to tax cooperatives. That, to my mind, is heartening, because it shows that organized labour has recognized in its own way the value of the cooperative movement in Canada.

I would suggest to the government that if they want to save themselves a good deal of grief they should give an opportunity to the members of this house to study this question a little further and, if necessary, let the item stand over for another day. The committee should perhaps be given an opportunity to study the various amendments which have been prepared by different members. I understand that the leader of the opposition has an amendment and I have one myself, but we cannot move them so long as there is one before the committee. We cannot even discuss them because we would be out of order. I think it would be wise if these items were allowed to stand for further study in the light of all the proposed amendments rather than to try to carry on with just what the government has given us.

The last point I want to refer to is something which I do not particularly care to raise but which, under the circumstances, I am almost forced to mention. Listening the other day, and again to-day, to the leader of the opposition talking about the taxation of the cooperatives, I had to turn over in my mind and figure out just where the party which he leads actually stands on this question. I hope that he spoke for the whole group which he leads in this house, because it is commonly known that in the province of Manitoba the whole question of the taxation of cooperatives was started up and agitated by a gentleman who gives allegiance to the Progressive Conservative party and happens to be a Winnipeg member of the legislature. I refer, of course, to Mr. G. S. Thorvaldson. I am not saying that, just because he happens to be a Progressive Conservative; all Progressive Conservatives are of the same opinion. I say that in order to clarify the matter, in order to make sure where we stand on this question, the leader of the opposition in this house—or someone else, if he wants to delegate to him that unpleasant job—

Mr. ROSS (Souris): Nothing unpleasant about it.

Mr. ZAPLITNY: —should rise in his place and make clear the position of the party in relation to the stand taken by Mr. Thorvaldson. We have seen what has been done in the newspapers in the way of advertisements; we know of the issue of thousands of cards, signed in some cases by men who were not at the addresses given, urging us to tax the cooperatives. All that stemmed from the agitation started by the income tax payers' association. I am not objecting to the existence of the income tax payers' association. That is their business. They may have certain legitimate activities. But I say this—and I want to be very clear and plain on it—that I deplore the activities of that organization and of its leader, G. S. Thorvaldson, and the role they have played on this question. I do not think they have been fair. They have published much material which is questionable. In order that we may feel that the opposition, on this side at least, is united on the question, someone in the Progressive Conservative ranks should rise to-day and repudiate the stand made by the gentleman to whom I have referred.

Mr. ABBOTT: May I say something in reply to the remarks made by the hon. member for Dauphin? I thank him for the objective and temperate presentation of his views; if he had not taken up the teaching profession he would have made a good lawyer.

I am not going to deal with the various points he has brought up concerning the desirability of cooperatives. Both the Minister of Finance and myself have tried to make it as clear as we could that the government is in favour of cooperatives and is not trying to discourage them; and on the last point he raised I think it is pretty obvious that we have not adopted the recommendations of the income tax payers' association.

The point I really want to make, however, is that it is difficult in drawing budget resolutions to be completely specific. The purpose of the resolutions is to indicate the broad principle which the legislation to follow is intended to provide for and to permit a general discussion on those matters. Thus, when the specific legislation is brought before the house on second reading there may be criticism, and

votes against, if you will, on the principle, and when the bill is in committee there may be discussion of the specific provisions themselves. The leader of the opposition suggested to-day that when he saw the specific text which it is intended to put into the law it would, of course, be easier to discuss the particular points involved; and I think the same point was made by the hon. member for Dauphin. I just make that point because I do not want the committee to feel that, because the resolution is in pretty broad, general terms, it covers all the specific details which will be included in the legislation.

There is just one other point I want to deal with, which was raised by my hon. friend, and that is the question of this three per cent return on capital. I think the minister, in his address, tried to make it perfectly clear that this is not an attempt to force cooperatives to pay interest or dividends when they want to operate on some other basis. But a great many cooperatives do pay interest and pay dividends now; a great many cooperatives, probably all, have certain employed capital, and it was felt that the capital earns some reasonable return and that that, therefore, could not be looked upon as a return from patronage.

I do not know that I could put it any better than the minister did in his speech as reported in *Hansard* at page 2921.

After careful consideration, the government has, therefore, come to the conclusion that it should accept the commission's recommendation that patronage dividends and similar payments be treated as a deduction from income subject to one relatively minor limitation designed to avoid at least some of the discriminatory effects I have mentioned. The limitation is this: that no company or association shall be able to go so far in its distribution of tax-free patronage dividends as to reduce its taxable income below a reasonable return on capital employed in the business. This reasonable return will be defined as three per cent on the capital employed, including borrowed capital, less the interest paid by the company or association on borrowed capital that is allowed as an expense in the computation of the taxpayer's income. The principle underlying this rule is that amounts set aside out of taxable income to be distributed in proportion to patronage by a cooperative or company which does not pay at least three per cent on the capital employed in its business contain earnings which arise from the employment of capital and ought not to escape tax entirely. For many cooperatives which pay patronage dividends this modification of the commission's recommendation will have little or no effect, for they already recognize an obligation to pay interest or dividends equal to at least three per cent on capital or retain undistributed income on which tax will be payable. Share capital with a limited dividend and with limitation of voting to one share per member rather than one vote per share was a characteristic feature of the plan of organization of the Rochdale Equitable Pioneers Society, the real founders of the cooperative movement. Cooperatives of this character will usually be able to claim the full amount of their cash patronage dividends as a deductible allowance. Any cooperative which does not set aside as taxable reserves or pay as interest or dividends a total amount equal to three per cent of capital employed, will find itself subject to tax on a portion of the amount it had set aside out of its income to distribute on the basis of patronage.

Mr. FAIR: Might I ask the minister at this point, is this a recommendation of the commission?

Mr. ABBOTT: No, it is not a recommendation of the commission. As the minister pointed out in his speech and as I mentioned in my statement, in large measure the government has followed the recommendations of the commission, for obvious reasons, which I gave. The commission made a careful study of the whole question. But I do not think this matter was suggested to the commission. I cannot indicate what their views would have been had it been suggested; but I can hazard my view that, judging from the rest of the report, they would have seen the justice of it. My hon. friend is quite correct when he says that it was not recommended by the commission. On the other hand, the commission recommended that members and non-members would be treated the same, and that was the unanimous conclusion of the commission.

Mr. FAIR: Who suggested this three per cent proposition?

Mr. ABBOTT: That was suggested by the Minister of Finance and his advisers, and it was felt, as the minister said in the opening part of his statement, that it was "a minor limitation designed to avoid at least some of the discriminatory effects I have mentioned". The whole intent and purpose of the government is to arrive at a solution which is fair—fair to cooperatives and fair to those who, for reasons of their own, do not operate under a cooperative system, such as the local storekeeper, and so on.

All we tried to do was to be fair. As I said earlier, this is a complex question. I myself feel that we should proceed for a while by trial and error. In my judgment this is a decided step forward in the settlement of this vexed question. I agree with what the Minister of Finance said, that the findings of the commission and the legislation which is proposed constitute a real victory for the cooperative movement against those who may be opposed to it.

Mr. STEWART (Winnipeg North): What revenue does the government think will accrue to the treasury as a result of the taxation of three per cent?

Mr. ABBOTT: I am told that it is impossible to estimate what it will be, but it is bound to be small.

Mr. ROSS (Souris): First of all, in view of the remarks of the hon. member for Dauphin about capitalists, may I say that every member of the wheat pools, about whom he chiefly spoke, is a capitalist. There is not a farmer in Canada who can be defined by the dictionary or the encyclopaedia as anything but a capitalist. We should be clear on that before we proceed any farther.

Mr. ZAPLITNY: I was asked a while ago if I could define a cooperative. I now ask the hon. member if he can define a capitalist?

Mr. ROSS (Souris): I have looked it up in the dictionary and I have the definition typed out. I carried it around with me for a year for such occasions as this, but I have not it with me now. I can assure the hon. member that it is anything but a socialist, and I am not one of these.

As a free enterpriser I may say that I agree in great part with what the hon. member for Dauphin said. He gave five objections which were put forward by the Manitoba pool. That is where he got them. His first objection was that the proposals ignore the basic differences between cooperative and private business. His second objection was that they force cooperatives to treat members and non-members alike with respect to patronage dividends, and he said that this would eventually destroy cooperatives. That was dealt with to-day by the Acting Minister of Finance. If I followed him correctly he said that provision is now being made in his department for differentiation between members and non-members, and that the non-members would be taxable. I think that clears up that objection.

Then there is still argument about the three per cent on the employed capital, and the minister has just made a statement on that. That was also mentioned in the objections of the hon. member for Dauphin. What the minister said about that matter to-day was confusing.

The fourth objection was that the proposals interfere with the right of the individual member to leave his earnings with his own cooperative by forcing payment in cash within six months. There should be an amendment to take care of that objection. An amendment was made to change that to twelve months. In my opinion that does not actually change the principle of the objection. The objection still remains.

The fifth objection is that the proposals provide that the minister may in his discretion discriminate between cooperatives in the matter of retroactive taxation with the result that cooperatives do not yet know their tax position. I raised objection to that when I spoke in the budget debate on July 10. The minister referred to the same objection to-day, and, as I understood him, he said that his department was now negotiating particularly with the three western pools to try to come to a satisfactory settlement on that point. I sincerely trust that that will be done, because that is an important objection so far as the wheat pools are concerned, and I am particularly interested in those organizations.

May I say that if we were not discussing the budget resolutions I should have moved an amendment to No. 5 in the following terms:

That patronage dividends paid or allocated for payment by the wheat pools or the united grain growers in years previous to 1946 be exempt from taxation.

I appreciate that the rules of the house do not permit me to move that amendment; it would not be in order because it deals with government revenues or expenditures.

Then there is another objection to the 1941 limitation. I do not think it should apply because there are many—

Mr. ABBOTT: It has been removed to-day by the amendment.

Mr. ROSS (Souris): I am glad to hear that. Mr. Chairman, you will understand that it is difficult to follow and discuss this matter intelligently because of the way things have developed in the last few days. The minister's department has certainly been working long hours with the officials of these cooperatives, and the cooperatives have been getting somewhere in the last few days. It is difficult for us in the committee to keep abreast of all that is taking place. In that respect I trust that the resolution will not pass to-day, but that it be allowed to stand.

The hon. member for Dauphin raised some other points in regard to who were the friends of the pools in Canada. If our memory goes back to the early thirties when the wheat pools in Manitoba, Saskatchewan and Alberta found themselves in great difficulty we shall remember that if there is one man in Canada more than another deserving of a little credit it is the hon. gentleman who was premier of Manitoba and is now the leader of the official opposition. At that time he led a delegation

of the three provincial governments of Manitoba, Saskatchewan and Alberta to Ottawa, along with other delegations, and he was successful in negotiating satisfactory financial arrangements to save these pools.

Mr. STEWART (Winnipeg North): And the banks.

Mr. ROSS (Souris): It is true that he had to work with the bankers and everybody else, but he had the courage and foresight to take action which saved these pools and cooperatives. I would not have mentioned this had it not been for the fact that the hon. member for Dauphin endeavoured to put some of us on the spot. If there is any one individual more than another in Canada deserving of credit it is the present leader of the opposition. History will accord him that credit.

As to what certain other hon. members may do, may I say that, living in a democracy as we are, we should respect the opinions of others. The president of the tax payers' association is a close friend of mine. We can be friends and be diametrically opposed to each other on certain matters. The fact that we are friends does not mean that we should agree on everything. Every individual should be given a chance to express his opinions and be listened to, but that does not necessarily tie us in with his opinions, politically or in any other way. The president of the tax payers' association should have the right to express his individual opinion. He is probably as conscientious about what he is doing as I am about what I am doing on behalf of the cooperatives and the pools. I hope that answer is satisfactory to the hon. member for Dauphin who raised the matter.

There is much more that I should like to say at this time, but because of what has happened in the last few days and even in the last hour I think we should allow the resolution to stand over, probably after some further discussion, until we find out exactly what has happened. I wish to express my disapproval on these five points as heartily as I can, which were, first of all, the outcome of the budget which was presented on June 27. I hope that everyone of these objections is resolved satisfactorily by the Acting Minister of Finance, since he is working on it to-day and has led us to believe that he is going to accomplish something.

Mr. ABBOTT: On the suggestion that we should allow the resolution to stand, may I say that if that were the decision of the committee I would be bound to accede to it; but I should like to say, as I said a moment ago, that on the points which my hon. friend wishes to see solved I believe that the discussion could be more effective with the bill before us. I really believe that the proposed amendments which are not covered in the resolution, but which I have said will be included in the bill, do meet most of the objections. We have a very heavy programme ahead of us. If we were dealing with second reading of the bill or in committee on a particular section I would, of course, accede at once and allow the section to stand to enable hon. members to study the detailed provision. But since there will be fullest opportunity both on second reading of the bill when the principle will be discussed—we are not settling the principle of the bill to-day—and when the bill is in committee on the particular sections to give effect to this legislation, I suggest that the committee, after full discussion along whatever lines it desires, general principles or otherwise, should allow the resolution to pass and reserve further discussion for the bill and for the committee stage. I am perhaps influenced to some extent by my own personal position. I have such a heavy programme ahead of me—this matter will have a great deal of discussion, because it is an important one—that I urge that the discussion could be carried on to greater advantage and to greater effect if it were done with the specific measure before the committee. I would ask the committee to consider that aspect and see whether, after a full discusson of broad principles to-day, they could allow the resolutions to pass and permit me to have the bill introduced as soon as possible.

Mr. IRVINE: Mr. Chairman—

Mr. STEWART (Winnipeg North): May I ask a question?

Mr. IRVINE: Not if I can help it; I am not going to sit down again unless the chairman orders me to. I would not mind agreeing to the suggestion of the minister if I knew exactly what was going to be in the bill. The fact is, however, that if any attention is paid by a government to what is said in parliament, then this is the time for us to tell the government what we think ought to be in the bill.

Mr. ABBOTT: I agree.

Mr. IRVINE: So that I hope we may be permitted at least to express our point of view. I did not speak on this question during the budget debate because, frankly speaking, I did not believe the government would go through with it. From my knowledge of the government and their ability to understand the temper of the Canadian people I felt perfectly certain that they would never carry this thing through. I hope they will not even

carry it through to the extent they now indicate as their intention. As I now understand the situation, the government propose to amend their budget proposals in the following ways. First, instead of only six months being allowed in which to pay out patronage dividends without taxation, that period is extended to twelve months. I understand that is the first modification.

Mr. ABBOTT: That is correct.

Mr. IRVINE: The next is that non-members and members are not now to be compulsorily treated alike, but that any profits which may accrue to the organization because of the business done with non-members shall be taxed, which I think is a reasonable proposition. Further, if I understood the minister aright, the revolving fund is to be permitted to revolve without limitation.

Mr. ABBOTT: That is correct.

Mr. IRVINE: Those are really quite important modifications, and I want to congratulate the government upon having adopted them. I should like also to congratulate the leader of the opposition upon the part he has played in bringing the government to this viewpoint, because he did take a decided and courageous stand. I am glad to say this, because I do not want to take any kudos which properly should go to him or anyone else.

I am not speaking on this from the point of view of C.C.F. propaganda. I am speaking on it, first of all, because I am a believer in cooperation and am a member of cooperatives; and also because I have here a sheaf of long messages coming from a large number of organizations within the province of British Columbia asking me to present their viewpoint on these matters to this house. I am not going to weary hon. members by quoting these messages at length . They all oppose the things already abandoned by the government as well as the one particular thing that has not yet been abandoned to which I want to address myself in a few moments. However, I should like to mention where these protests come from. I have one here from the directors of the Dawson Creek cooperative union. I have another message from the British Columbia cooperative wholesale society; another from the associated growers of British Columbia; another from the fishermen's cooperative federation; another from the British Columbia cooperative union of Kelowna; another from the Fort St. John cooperative association; another from the president of the Beaver Lodge cooperative association; another from the British Columbia cooperative union of Vancouver; another from the Pemberton district cooperative association, and another from the secretary of the Cecil Lake cooperative organization. As I say, all these messages protest against the taxation of cooperatives and against some of the phases of the government proposals which the hon. gentleman who is now acting as Minister of Finance has indicated are being abandoned by the government. The proposal to tax cooperatives, however, still stands. I notice the velvety interpretation of the minister in respect to the provisions for a taxable amount equal to three per cent of the working capital of cooperatives; but, after all, it is still proposed to tax cooperatives. Am I right in that? If the minister says I am wrong—

Mr. ABBOTT: That is correct, if they have an income.

Mr. IRVINE: The proposal is to tax cooperatives; and that proposal—

Mr. ABBOTT: Only if they have an income.

Mr. IRVINE: Naturally.

Mr. ABBOTT: And by "income" I mean taxable income.

Mr. IRVINE: Yes, if they have a taxable income; but the government proposal makes it certain that they will have a taxable income.

Mr. ABBOTT: My hon. friend, as I understood, admitted a moment ago that it was quite proper to tax a cooperative on income received from non-member business.

Mr. IRVINE: Yes.

Mr. ABBOTT: Therefore it is obvious that he admits a cooperative has some income.

Mr. IRVINE: If that were all I still would not want to make my speech, but I am afraid there is something more than that in it. I believe the government does intend to continue with the imposition of a tax on cooperatives. By so doing, they are going to affect vitally at least a million people in this country who are now directly concerned with cooperative enterprise in one or other of its activities. The cooperative movement in Canada has become in recent years a formidable movement indeed. To-day we have great fishermen's cooperatives on both the east and west coasts of this country. There are some splendid cooperatives among the farmers right across Canada; selling agencies dealing in all kinds of farm products, grain, live stock, dairy products and so forth. In Quebec we have some great cooperative organizations, credit unions and other cooperatives that are gradually developing,

and then, last but not least, we have a great cooperative movement which engages in buying and selling general merchandise for its members, these cooperative stores which go right across this country and which render splendid service to their members and to the communities in which they are located.

My interest in this is not merely because so far it has been a successful movement, but because I recognize in the cooperative movement an alternative to that jungle type of competition which has been associated in history with industrial and civil strife, and with war. I think it is true to say that the challenge which comes to the world to-day is for us to learn to cooperate, else we must face the fear of perishing. In this connection I wish to quote one paragraph from the *Western Farm Leader*. The editorial is entitled, "Turn the Clock Back," and states:

> By their failure to take into account the special social significance of the cooperative movement the proposals respecting taxation of cooperatives made by Mr. Ilsley in his budget speech reveal the reactionary trend of government policy. These proposals if enacted into law would remove in certain important respects the differentiation between cooperatives and profit-making enterprises, which those who recognize the social value of cooperation have always properly stressed. The distinction has been clearly drawn in many lands. It is pretty late in the day for any government to deny it. That it should be denied is evidence of the very great influence wielded by the enemies of cooperation in high circles in our commercial life.

Incidentally, I would say that the main task which is facing our modern world to-day is to cultivate both the art and science of mutual help. That is the only alternative to the annihilation of the race. That annihilation is threatened through the continued practice of the art and science of competition.

The Canadian government professes, for example, to be anxious to consummate cooperative understanding between this nation and other nations of the world, with a view to world peace. Do we mean that? If we do, surely then it is unwise, to say the least, to propagate and maintain the art and science of competition in our domestic economy, while professing the very opposite ideology in international affairs.

If we continue to do that, we thus will be whitening the outside walls of the sepulchre, while we gather from the battlefield of competitive struggle in our domestic affairs the dry bones of greed and profit to be cherished as a national ideal.

The cooperative movement, despite the many almost insurmountable difficulties, has reached a point where it is now recognized as a real challenge to the ordinary type of enterprise which is conducted on the basis of competition. Because of that real challenge there has grown up in Canada what I am calling an anti-cooperative propaganda organization. That organization seeks at all times to undermine the foundations of the cooperative movement. That organization is supported by big business, and big business in supporting that organization is naturally out to protect its own particular private interests. That organization is known, as one of the speakers already has announced, as the income taxpayers' association.

Those of us in parliament know that association very well. We have been bombarded with its propaganda throughout this session. I have no hesitation in saying that its activities are behind the fact that the royal commission was called upon to find a way to tax cooperatives. That being so, it is certain that—

Mr. ABBOTT: That is not correct. I should not interrupt my hon. friend, but I cannot allow that statement to pass, that the royal commission was set up to find a way to tax cooperatives.

Mr. IRVINE: I hope I shall not convey to the minister anything that is unfair. It is not my intention to do that.

Mr. ABBOTT: I know that. I hesitate to interrupt the hon. member, but I could not allow that statement to remain unchallenged.

Mr. IRVINE: I am not applying that particularly to the government. I was applying that to the intention of those who sought the royal commission in order that they might find a way to tax cooperatives. I believe that before I have finished I shall show that such is true.

It is pertinent, I believe, for us to discuss and to examine the reference submitted to that commission in this connection. Contrary to the general impression, the commission was not charged to inquire into the question as to whether or not cooperatives were legally taxable; that is to say, whether cooperatives as an entity had taxable income. Rather the commission was appointed and charged with the task of finding a way to tax cooperatives.

Here are the actual words of the reference in that regard. The commission was to—

> . . . report all facts which appear to them pertinent for determining what would be in the public interest—

I think that should be in the private interest.

> —constitute a just, fair and equitable basis for the application of the Income War Tax Act and the Excess Profits Tax Act, 1940, to cooperatives.

In other words, they were to find some practical way of applying the Income War Tax Act and the Excess Profits Tax Act to co-operatives.

Mr. ABBOTT: It could, of course, have suggested complete exemption. The reference was broad in its terms.

Mr. IRVINE: The complete exemption was already suggested and incorporated in the law.

Mr. ABBOTT: But it was not; that was the difficulty.

Mr. IRVINE: I should like to have discussed with the minister that little tricky word upon which the thing hinges, as to whether it is "like" or "unlike." But I am not going to take up the time of the committee in that discussion, although I think this is one of the most illuminating sections of the commission's report. At any rate, in my opinion the commission was appointed—I will put it in that way—to find the most inoffensive way possible of taxing cooperatives. Naturally the commission would be there to cushion some of the expected criticisms which would follow any such proposal.

I suggest that it would have been more in keeping with the nature of cooperatives, as well as evidence of more competent statesmanship in our time, had the commission been charged to report all facts which appeared to them pertinent for determining why co-operatives as non-profit seeking and non-profit making bodies should not be subject to any sort of profits tax whatsoever.

It is significant that neither the commission nor the minister defined "cooperative." A true cooperative has no profit; therefore it cannot be subject to profits tax. I say a true co-operative has no profits, and that is true, except in respect of non-member business, which is very difficult to avoid in some small degree if those who persist in remaining non-members will also persist in buying through the cooperatives. Of course the cooperatives want that business, and want those people to be members. If they become members they get all the share that the others get of the patronage dividends which accrue from their common cooperative effort.

It is possible, of course, for profit-making corporations to masquerade as cooperatives and thus try to escape the legitimate profits tax which they should bear. But that very fact is one of the main reasons why the commission should have defined definitely what a cooperative is.

Because of its failure really to investigate cooperatives, to see whether or not they had taxable income in the legal sense, the commission proceeded to ignore the very purpose for which cooperatives exist—and it said so. Quoting from page 9 of the report, we find:

> In our view the purpose or the alleged purpose of the association is irrelevant.

In other words, the commission ruled as being irrelevant the subject committed to them, which was at least the alleged reason for the commission's existence. The definition of "income" as set forth in the Income War Tax Act is quoted in such a way as to put private corporations which operate for a profit and cooperatives which operate to give service at cost on exactly the same footing. The commission's finding in this connection was:

> It is our unhesitating opinion that the association and its members as a result of the trading venture which they undertake do make a profit.

There is a vast difference between the opinion of the commission and the facts of the case. I would say at once that any association which makes a profit is not a cooperative to the extent that it does make a profit, and such an association should not be taxed on a profit basis like a private corporation. A true cooperative does not make a profit and therefore should not be taxable. Here is as simple and clear an example as I can give.

The head of a family spends $800 a year in buying groceries and general supplies for his family. He finds that a little too much and decides to join a cooperative in the hope that he will not have to pay out so much. At the end of a year, after joining the cooperative, he finds that he has still paid out $800 for groceries and supplies because the cooperative has sold at the same prices as anybody else. However, he finds that through his cooperative effort there is $100 coming to him as a patronage dividend. He has been buying goods from himself, so that $100 is not profits.

Mr. ABBOTT: The proposed legislation recognizes that.

Mr. IRVINE: As I shall show the minister in a minute it does not recognize it yet, but I hope it will before it is finally passed. To follow my example, the man paid into the cooperative out of his own income. It might be said that the $100 are savings from his cooperative transactions, but they cannot be regarded as being income either of his own or of the association in any intelligent sense of that term.

The members of a cooperative do not make their income from the cooperative; they spend their income in the cooperative, which is a great difference. Members of a co-operative make their incomes from farming, from fishing, or from whatever task they may

perform or service they may render to the community. Their income does not come from the cooperative, it comes from the calling in which they spend their efforts. Farmers and fishermen receive their income from the farm products they produce and the fish they catch, and the workers' income is in the form of wages. All these people are subject to income tax on their personal income, and that personal income is the only income the cooperative knows anything about.

Strange as it may seem, this same royal commission found that patronage dividends, which, of course, represent the property of the individual members of the cooperative, which property the cooperative is obliged to return to the members and which is not taxable if paid out to the members within six months, were not taxable. However, the government now proposes legislation which will tax those dividends. It is the patronage dividends which will go to make up the three per cent of working capital, because there is no place else for it to come from. The commission says that those patronage dividends should not be taxable, but the government ignores that recommendation. I want the minister to centre his thought upon that point. The three per cent of working capital which will be the basis of the taxation of cooperatives must be made up of patronage dividends which, according to the commission's report, should not be taxable. I want to emphasize that to impose taxation in that way is to go contrary to the finding of the commission with respect to patronage dividends. This legislation is considering that portion of the individual members property which goes to make up the three per cent of the working capital of the cooperative, as profits, which it is not. It has only been lent for the moment to the cooperative by the individual member.

There are other features of the original budget provisions which are objectionable on several grounds. I think the minister has satisfied us that he is going to alter these things and I shall not comment upon them at the moment. I am assuming that the twelve months' provision in place of the six months will be lengthened ultimately, and that the revolving fund will be permitted to revolve as it should and as is necessary for the operation of the cooperatives. I shall leave all these and proceed to deal with the taxing of the three per cent. The minister has said that the government had no intention of taxing cooperatives.

Mr. ABBOTT: I do not think he said that.

[Mr. Irvine.]

Mr. IRVINE: I meant to say that the minister indicated that the government had no intention to obstruct the development of cooperatives.

Mr. ABBOTT: Which is just the contrary.

Mr. IRVINE: The Minister of Finance made similar statements in his budget speech. He was quite emphatic about anyone thinking the government had any intention of harming the cooperatives. I would do as the royal commission did and rule that the minister's intentions were irrelevant because of the action taken by the government. That is the real answer, and their action shows their intention. Here is what the minister said, as reported at page 3592 of *Hansard*:

> The commission said that this rule should apply throughout, that any body corporate, co-operative or otherwise, which paid out on the basis of patronage to its members should be entitled to deduct that from its income for taxation purposes. In that way it has the appearance of fairness.
>
> The fact is, of course, that when you make a recommendation of that kind you are making a recommendation which benefits cooperatives but which really does not benefit to any substantial degree their competitors, private business. The great range of private business in Canada cannot practically pay out part of their profits on the basis of patronage.

So what the minister regards as fairness is to try to prevent the cooperatives from entirely swallowing up private enterprise.

Mr. ABBOTT: Why not?

Mr. IRVINE: Why keep the bally thing alive if it is not functioning in the best interests of the common people? If it cannot stand up and carry out its own philosophy in competing with cooperatives, it ought to go out of business.

Mr. ABBOTT: Compete on fair terms, yes.

Mr. IRVINE: What right has it to expect the protection of this house and parliament before it can function?

In order to show that we are not the only people who thought this would affect cooperatives, may I quote fairly extensively from the *Financial Post* of July 13 last. Here is what it says:

> Mushroom expansion of the big cooperatives at the expense of tax-paying private competitors and the federal treasury should be halted by the new budget proposals.

There is a lie in that and there is truth in it. It is true that the cooperatives have expanded in recent years in almost mushroom fashion. It is not true to say that they have expanded at the expense of tax-paying corporations, for the members of the cooperatives pay taxes just as well as the corporations do.

It goes on:

Through untaxed patronage dividends, co-operatives will still be able to return to members the big bulk of their profits, but from now on these profits will have to be paid back promptly as earned. Previously, as a rule, they were merely allocated to members, but actually held by the cooperative for buying out competitors and for working capital. Now, to qualify for tax exemption, they must be paid to members within a few months of being earned.

It goes on:

One of the main complaints of the sorely pressed private competitors of the cooperatives has been the enormous expansion of the latter through these untaxed and unpaid profits. While the great bulk of the private companies' profits were taken away in taxes, the untaxed co-ops enjoyed a tremendous double advantage. Not only were their profits exempt from taxation, but there was no hurry about returning them to members. Under an ingenious "revolving door" plan these profits were retained in the co-op treasury for varying periods up to seven years and usually at no interest.

That, thank heaven, is being removed. The writer goes on to tell with considerable glee that the cooperatives are going to be caught within another pair of pincers. He says:

Finance Minister Ilsley's new budget proposals, it is believed here, will end this era of free and almost unlimited capital for the co-ops and will permit private competitors, if they wish, to meet the competition of paying untaxed patronage dividends to grain and other shippers.

Here is the next point, and this is the only point that is left:

For the private company shareholders, not to be confused with patrons or shippers who get the patronage dividends, there is also a little comfort in Mr. Ilsley's new proposals. Private companies have complained that payment of unlimited tax-free patronage dividends would allow a cooperative to return every bit of profit to shippers and if they were forced to meet this competition, there would be nothing left for the shareholders who subscribed the original capital. In other words, cooperatives could operate at no profit and private companies would have to do the same or lose all the business.

Mr. Ilsley now stipulates that no company or association shall be able to go so far in its distribution of tax-free patronage dividends as to reduce its taxable income below a reasonable return on capital employed.

That is the point upon which all discussion must hinge from now on. The minister has wiped out all other objections, and this is the only one remaining. I am arguing now that this is the moment to wipe this one out, but if the minister would like to have another day or two to consider it, all right. But this is the one that should be wiped out, not that it would mean a very great deal in taxation at the moment, but I regard it as the thin end of the wedge which will raise the cooperative movement off its foundations and tend toward its collapse. This is the beginning. I suppose that this worthy tax payers' association which has been spending so much of its members' profits in trying to undermine the cooperatives in the last few years will be perfectly satisfied if it can get away with this much in the budget because it will represent the beginning.

Let me point out something to the minister which has perhaps escaped him. I want him to realize that the cooperative movement is not only a unit that operates in a community, but operates provincially and interprovincially. First, you have a local cooperative which serves the immediate community. That cooperative is affiliated with a provincial cooperative, and that provincial cooperative is affiliated with an interprovincial co-operative. Very well. Then as I understand this budget proposal, each one of them will have to set aside three per cent of its working capital and each one of them will be taxable. But it is likely that the capital would come from one source, largely from the local unit. They set aside three per cent of their capital and are taxed thirty per cent on that. Then it may be necessary to send that capital into the provincial organization, and the same demand is made there; again it is taxed another thirty per cent. Then the capital is sent to the interprovincial organization and taxed another thirty per cent. If this is not to be done I should like the minister to make that clear. If only one unit is to be taxed, the law would have to say which unit it is to be, or whether it is all three or none of them. As it stands now, each one of them is a cooperative, and each one of them must set aside a sum equal to three per cent of its capital, according to this proposal. Then it is taxable thirty per cent. It is true that the funds of the local unit have to be sent to its central provincial office to meet the demands there, and again it often has to be sent to the interprovincial office, so that it is important to have that point cleared up.

I have almost exhausted my time, Mr. Chairman. I shall have much more to say on this later, if the government does not consider the complete removal of this tax before it brings down its final legislation. I shall content myself now with pleading with the government to be as wise in consideration of the one remaining fragment of the proposal as it has been with respect to the others, and, if it is, not only will it do a great service to the cooperatives and thereby to this nation, it will indeed do a great service to itself.

Mr. QUELCH: I was absent from the chamber in a committee meeting at the time the minister made his proposals or the con-

cessions which he has made, so that I am not any too sure of them, but I listened to the listing of them by the hon. member for Cariboo. It is perhaps a pity that the minister did not wait to make that statement until the end of the debate to-day, because a number of speeches had been prepared on the old formula. Therefore these members, had they made these speeches, would have been able to pat themselves on the back and feel that the concessions were made as a result of their representations. The minister has taken that joy away from them.

I want to make just a few remarks and ask one or two questions to clarify the budget resolutions in my own mind. I studied at some length the report of the royal commission; and, generally speaking, I thought the recommendations were sound and fair, fair both to the cooperative and to those people who consider themselves to be competitors of the cooperatives. The recommendations, I believe, generally speaking, received fair support from the cooperatives, at least far better support from the cooperatives than they did from the people who opposed them. I understand that the report was unanimous, and I think that is quite an achievement in view of the fact that one of the members of the commission was Mr. Arnason, who is, I understand, the deputy minister of cooperation in the government of Saskatchewan.

Whilst supporting, generally speaking, the recommendations of the royal commission, I did very much deplore the fact that the government had departed in several respects from the recommendations, and in every case where they had done so the departure was in favour of the opponents of the cooperatives rather than of the cooperatives themselves. I have received from my constituency quite a large number of telegrams, sent on behalf of several thousand people. The main points raised in these telegrams are as follows. First of all, they resented the fact that the government was proposing to treat members and non-members alike. I understand that that has been straightened out—

Mr. ABBOTT: Right.

Mr. QUELCH: —and that the amount of patronage dividends which would have been distributed to non-members will now be taxable. I think that is quite just, because it means that the members would profit on the business of non-members, to which I do not think anybody can take exception.

Then, they charge that the proposals are a serious threat to the expansion of co-

operatives and will prevent the use of the revolving fund. Am I to understand that this has also been taken care of?

Mr. ABBOTT: Any net additions to the revolving fund are taxable, but the revolving fund continues to revolve.

Mr. QUELCH: Then, they protest the proposal to levy a tax on an amount equal to three per cent of the capital employed less interest thereon. I think that is, generally speaking, the provision, and I understand that that has not been wiped out. That, I think, is the main complaint, and I still cannot follow the minister's argument in trying to justify that being done, because, after all, this capital is the capital of the person who put it in; he paid income tax when he put it in, and he is going to pay income tax on any patronage dividends paid on that capital.

Mr. ABBOTT: No. If dividends are paid on that capital that can be set off against the three per cent, if my hon. friend understands me.

Mr. QUELCH: No. I am not talking about a cooperative having to pay an income tax on a patronage dividend; but the recipient of the patronage dividend will have to pay an income tax on that dividend if it is from a producer cooperative?

Mr. ABBOTT: Right.

Mr. QUELCH: If it is from a consumer cooperative he will not?

Mr. ABBOTT: That is right.

Mr. QUELCH: No tax as far as the consumer cooperative is concerned?

Mr. ABBOTT: So I am advised.

Mr. QUELCH: The only justification for the three per cent tax will be where the three per cent on capital represents business done with non-members. I mean to say, if the amount of the patronage dividend due but not paid to non-members is equal to three per cent, I do not think there can be any objection, because they will have to pay a tax on the dividends which have been paid to non-members, and therefore, if the grand total of that equals three per cent on capital, there will be no objection to that three per cent being taken. In many cases however, the non-members will be so few that the amount of their patronage dividends will not be equal to three per cent of the capital employed, but if there are a large number of non-members the amount of the dividends would be, or might be, more than three per cent of the capital employed.

Mr. ABBOTT: Of course, if dividends are paid to non-members—there is no obligation to pay them—they may be deducted from the gross income in just the same way as patronage dividends declared to members. In the case of the three per cent to which my hon. friend is referring, it is based on the assumption that the capital employed in the business earns a reasonable return, and that that return is not derived, in the case of the producer cooperative from the marketing of the primary products; in the case of the consumer cooperative, from the purchases made by the members of the cooperatives; but that the capital employed has actually earned a reasonable return, which it is suggested here should be three per cent, and that that should be considered as taxable income if the organization has not paid the equivalent of that amount to either shareholders who have shares in the form of dividends, or to lenders who have lent them money at a rate sufficient to absorb interest equivalent to three per cent on capital employed. That is all the provision is intended to accomplish. I do not know whether I have made myself clear. I should have added—or if it retains reserves which are subject to tax equivalent to that amount.

At six o'clock the speaker resumed the chair and the house took recess.

After Recess

The house resumed at eight o'clock.

GOLD MINING

STATEMENT OF ACTING MINISTER OF FINANCE WITH REGARD TO GOVERNMENT ACTION

Hon. DOUGLAS ABBOTT (Acting Minister of Finance): Mr. Speaker—

Mr. DEPUTY SPEAKER: With the unanimous consent the minister may make a statement.

Mr. ABBOTT: With the permission of the house, I wish to make a statement on the subject of gold mining. Since the restoration of the Canadian dollar to parity with the United States dollar, various suggestions have been made in this house for government action on behalf of this industry and the Minister of Finance (Mr. Ilsley) and myself have received a number of suggestions and recommendations from persons and organizations outside the house. In this field where the possibilities of speculative profit or loss are so important we have so far, of course, given no indication or hint of what the government might do. However, I am now in a position to state the results of the government's consideration of the various suggestions which have been made and of others which have occurred to us, and I now wish to announce them in this public statement so that all may have an equal opportunity to learn about them at the same time.

It is the case that one effect of the government's action in altering the exchange rate is that Canadian gold producers will receive approximately $35 instead of approximately $38.50 per ounce, Canadian funds. The change in the exchange rate has, of course, other effects bearing on the position of this industry. For example, this action will help to keep the cost of mining gold in Canada from rising, just as our whole stabilization programme has been protecting us from an undue rise in costs and prices during the past five years. Indeed, as the minister pointed out in his statement of July 5, the alternative to changing the exchange rate was to allow economic forces to work out an increase in our price and cost structure, more or less to the United States level plus ten per cent.

Four types of action have been suggested and the government has naturally given the most careful consideration to all of them. To deal first with the simplest and least important suggestion, it has been pointed out that the mint is making a charge for handling and marketing gold that exceeds the mint's out-of-pocket costs of performing the service. After considering this matter, we have come to the conclusion that we can reasonably reduce our handling charge from thirty-five cents an ounce to twenty cents an ounce, and the necessary instructions are being given to the mint to do so without delay.

The second matter is much more important and difficult. We have been requested to grant export licences for gold freely in order to permit our gold producers, and perhaps others in Canada, to sell gold to other countries at prices above $35 an ounce, which is the standard price of gold for monetary purposes. It is claimed that there are persons in various countries—India, Egypt, Greece, Mexico, Cuba and Argentina have been mentioned—willing to pay substantially higher prices for gold. As yet, no one has put forward specific proposals involving sales abroad which would be legal and for which United States dollars or equivalent foreign exchange could be obtained, although it is possible that some few opportunities of this kind might be found. We have made inquiries and we find that these alleged high prices are, generally speaking, expressed in terms of inconvertible paper currencies and that even if sales were effected at these prices it would be impossible to convert the proceeds

into Canadian dollars. Our inquiries show there are very few, if any, markets where our gold could be legally sold at more than $35 per ounce for United States dollars or currency that could be converted into United States dollars. There are some private gold transactions taking place at premium prices in certain parts of the east, but most or all of the countries concerned are in the sterling area. We could not justify accepting payment in sterling for our gold production, and these countries would not be prepared to pay us in United States dollars, as they need their dollars for imports very much more essential than gold to be used merely for private hoarding. In regard to Mexico, the fact is that the Mexican government (or its central bank) buys from its own gold producers on the basis of $35 an ounce and itself obtains whatever profit can be made from sales above that price. Mexico is still exporting a good deal of gold at the standard price. Any imports of gold from Canada would require a licence and licences would not be granted unless the central bank itself wanted gold, for which it would pay on the basis of the standard price. In Argentina there is, apparently, a small free market for gold coins which are relatively scarce these days, but not for bullion. On the basis, therefore, of the information we have been able to obtain we have come to the conclusion that the vision of export markets at high prices is largely a will-o'-the-wisp and that no significant amount of Canadian gold could be legally sold abroad at premium prices unless payment were taken in an inconvertible local currency, which would be of no use to the Canadian seller.

Moreover, if we as one of the major producers of gold were to allow Canadian gold production to flow to these private markets, we would have to expect others to follow our example. If the output of American, South African and Australian mines as well as of our mines were allowed to flow to these private markets, how long would the price stay up—and, indeed, what country in which a premium price now prevails could afford the foreign exchange to permit the flow to continue? It is clear that a premium market for gold could not be expected for any sizeable quantity or for any considerable length of time. Competition would quickly bring the price down to the standard price. Indeed, the main reason why there are any prices above $35 an ounce is simply that there are restrictions outside of Canada on the export or import of gold or on securing foreign exchange to pay for it.

In any event, whether or not there are private hoarders willing and able legally to buy our gold for dollars above the standard price, we are convinced that we can best assure a satisfactory long-run market for our gold by avoiding these speculative export markets and continuing to regard gold as an international money, used for settling balances between countries. It is this fundamental, and quite sensible, use of gold which really gives it its value and which assures a steady, unlimited market for it at an established price. We believe that for us to go shipping our gold off to private hoarders and speculators in various hole-and-corner markets of the world might, over the long run, prejudice the position of gold for international monetary purposes and the various national and international arrangements affecting it. I think we would all agree that it would not be in the best interests of the gold mining industry to take any action which might endanger what must in any case be the major market for our gold and the underlying support of its price.

For the reasons I have given, we are not prepared to grant licences for the private export of gold, except in the normal types of circumstances where licences have been granted in recent years, for example, for the export of ores which require smelting before refining.

We have also been asked about the sale of gold within Canada. Under an understanding reached a number of years ago, the gold mines, with the exception of a few mines the ores of which require treatment by smelting before they can be refined by the mint, have been selling all their gold to the mint. This arrangement we believe is desirable and should be continued. We see no reason to encourage the private hoarding of gold. It would serve no useful purpose, but would, on the contrary, reduce the amounts available for the only sensible non-industrial use of gold, namely, the settlement of international balances. Moreover, the industry itself would suffer if the existence of a Canadian gold market were to make it easier for highgraders to carry on their illegal operations.

I come now to the fourth suggestion, which relates to the depletion allowance for gold mining companies and the shareholders of such companies. It has been recommended by various persons and organizations in the mining industry that the present depletion allowances of 33⅓ per cent to the corporation and 20 per cent to the individual shareholder should be increased to 50 per cent in each case. The principal argument advanced by those who advocate creating this large segment of tax-free income is simply that the gold mining industry has not continued to expand as rapidly as they think desirable, that few successful new mines have been found in recent years,

that consequently taxation must be to blame and that we should, therefore, reduce tax liability in this way in order to create highly attractive prizes that would tempt new capital and enterprise into this hazardous but important field.

The difficulty with this type of approach is that it would give relief where it is not needed and no effective relief where it is needed. It would increase substantially the non-taxed income of the more profitable mines but it would be of no help at all or very little help to the marginal mines. Already under the present law successful mining companies are able to get a return of, and an adequate return on, their capital invested in resources that are subject to depletion without the return of capital being subject to tax, and the shareholders of these companies receive a portion of their dividends tax-free, as it is deemed to be return of their capital. To increase to 50 per cent the depletion allowance for these highly successful enterprises where the company and shareholders are already receiving, or have already received, their capital back tax-free, would be to single out certain incomes—many of them quite high incomes—for particularly favourable treatment that would seem impossible to justify on any grounds of logic or equity. If a subsidy for gold mining were really needed and desirable in the country's interest, it should be possible to devise a more equitable and effective subsidization plan than one which gives most to those who need it least. The government, therefore, finds itself unable to accept this recommendation.

However, it has canvassed the possibility of modifying the arrangements relating to depletion allowances in such a way as to benefit marginal mines, those which by reason of low grade ore or insufficient ore or high cost of production make small profits or are likely to make profits for only a short period. Under the present arrangements such mines may not get all their depletable capital back through the allowance because their profits are too small or the working life of the mine too short to return as depletion the total capital amount involved. It is these marginal mines which have the best case for some change in the depletion allowance, although I should mention, in passing, that of course they will also benefit most from the holding down of costs which the new exchange rate makes possible.

In view of all the circumstances, the government has decided to modify as a temporary measure its present formula for the determination of depletion allowances in respect of gold mining companies in such a way as to assure a minimum depletion allowance of two dollars per ounce of gold produced. In other words, a company engaged in the mining of gold will in respect of its first two fiscal years ending after June 30, 1946, be allowed the option of accepting as depletion either 33⅓ per cent of net profits or $2 per ounce of gold produced, whichever is the greater. This will be of assistance to the marginal mines which really need assistance, but will not benefit the highly profitable mines which already do well on the present depletion formula.

Before concluding these remarks I wish to announce an additional measure which relates to the budget proposals of this year and which should be of encouragement to the whole mining industry. The house will recall that in the recent budget the Minister of Finance proposed that new mines coming into production after January 1, 1947, would pay only half rate corporation income tax on their profits of the first three years of production. When this resolution is before committee an amendment will be moved to change this provision for a half rate to complete exemption. This should give further encouragement to prospecting for and development of new properties and tend to offset to some extent the effect in this connection of the lowered proceeds or export sales of gold and other metals.

Mr. ADAMSON: Since I believe the statement by the minister is the direct result of a speech I made in this house advocating free gold, or the establishment of a free gold market—

Mr. ABBOTT: Others had thought of it.

Mr. ADAMSON: Yes, but I was the first to advocate it in this house, and I should like an opportunity to say a few words on the proposals of the minister.

Mr. ABBOTT: I do not want to interrupt my hon. friend, but he will appreciate that this is a statement and there is nothing before the house on it; it is not debatable. As soon as we call the item in the budget resolutions dealing with the mining industry, an opportunity will be afforded for discussion. I question whether we should permit a general debate on the gold mining industry now.

Mr. DEPUTY SPEAKER: The statement by the minister was made with the unanimous consent of the house and is not debatable. I suppose any remarks made now would also have to be by unanimous consent.

Mr. BRACKEN: With all respect to your ruling, Mr. Speaker, in view of the fact that the Acting Minister of Finance has made this statement of which we had no notice, and since there is a budget resolution dealing with

the matter, I should think the acting minister would be meeting the wishes of this house if now he would bring in that resolution and permit this discussion to go on. It is very unfair to the house for the minister, at a time like this, to come in with such a pronouncement, and fall back on the rules to deny us an opportunity of discussing it.

Mr. ABBOTT: I would have no objection whatever to that. I should think some hon. members might like an opportunity to consider the statement and discuss it later; but if the house wishes, later on when we get into committee on the budget resolutions I shall be glad to have one of those resolutions called. My only point in rising was to suggest that it is common practice for ministers to make statements on important matters of public policy when Mr. Speaker is in the chair. The house will realize that this is a matter which, if announced in advance, would have afforded opportunities for speculative profit. Therefore I felt the statement should be made at eight o'clock in the evening after the markets were closed and so on, as was done in connection with the budget speech. I have no desire to curtail discussion on the matter, and if the house desires when we get into committee I shall have one of the resolutions relating to mining called.

Mr. MacINNIS: Before you decide on this point, Mr. Speaker, I think the Acting Minister of Finance has suggested the proper course. That was a very long statement, and many of us—the lesser minds—in the house could not take it all in. We had better have the debate at the beginning of the week, after we have had time to consider the statement over the week-end, so that we may be able to discuss it intelligently next time it comes up.

Mr. DEPUTY SPEAKER: Private and public bills!

PRIVATE BILLS

CONSIDERED IN COMMITTEE—THIRD READINGS

Bill No. 246, respecting the Canadian Indemnity Company.—Mr. Maybank.

Bill No. 247, respecting the Canadian Fire Insurance Company.—Mr. Maybank.

BUSINESS OF THE HOUSE

READING OF STATEMENTS BY MEMBERS OF GOVERNMENT

Mr. D. G. ROSS (St. Paul's): Mr. Speaker, I rise on a point of order. This matter of ministers reading statements in the house without the consent of the house is growing too much.

[Mr. Bracken.]

Mr. DEPUTY SPEAKER: Order.

Mr. ROSS (St. Paul's): On a point of order—

Mr. DEPUTY SPEAKER: There can be no point of order at this time. The hon. member should have raised the point of order before. I might inform him that shortly before he came into the chamber the Acting Minister of Finance (Mr. Abbott) asked and obtained the permission of the house.

Mr. ROSS (St. Paul's): I should like to ask Mr. Speaker a question. Did Mr. Speaker put the question before the house requesting unanimous consent?

An hon. MEMBER: Yes.

Some hon. MEMBERS: Order.

REPORT OF COMMITTEE

Twenty-fifth and final report of special committee on veterans affairs—Mr. Tucker.

WAYS AND MEANS

INCOME WAR TAX ACT

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

12. That for the 1947 and subsequent taxation years, the provision exempting the income of certain cooperative companies and associations be repealed and that for the 1946 and subsequent taxation years provision be made that there may be deducted from a taxpayer's income the aggregate of the payments made,

(a) in the taxation year or within six months thereafter to his customers of the taxation year; and

(b) in the taxation year to his customers of a previous taxation year after the 1941 taxation year and not previously deducted under paragraph (a)

in respect of specified allocations in proportion to patronage for the said years the prospect of which was held forth

(c) by the statute or bylaws under which the taxpayer carries on business or by his contracts with his customers, or

(d) by the taxpayer in a specified manner prior to the commencement of the taxation year except that portion of such payments as would if deducted leave the taxpayer with an income less than an amount determined by deducting from three per cent of the capital employed in the business, including therein borrowed moneys, the interest paid by the taxpayer on borrowed moneys and deductible as an expense in computing his income.

Mr. ABBOTT: I will repeat what I said when Mr. Speaker was in the chair. I am in the hands of the committee. If there is a desire to discuss the statement which I made this evening with respect to the gold mining industry, I shall be glad to let resolution 12 stand and call resolution 30. As I said before,

perhaps hon. members would like to consider the statement and I can call it early next week.

The ACTING CHAIRMAN (Mr. Golding): Before we proceed to make that change, I think the hon. member for Acadia should be permitted to finish his speech. I think I should put the amendment to the committee. I have read the amendment but I think I should now ask all those in favour of the amendment to say "aye."

Mr. STIRLING: What amendment?

The ACTING CHAIRMAN (Mr. Golding): The amendment moved by the minister when we came to resolution 12.

Mr. ABBOTT: I do not want to insist that the amendment be put, because probably a good many hon. members would like to speak to the amendment. The hon. member for Acadia was speaking when the committee rose at six o'clock. The amendment had been read and, if the committee cares to proceed in the same way, that is quite satisfactory so far as I am concerned.

Mr. QUELCH: When the committee rose at six o'clock I was suggesting that if the volume of non-member business was large and patronage dividends were not paid out and were therefore taxable, the three per cent proviso would have little or no effect upon that particular cooperative. However, I think the minister will agree that that would not be a healthy state of affairs for a cooperative, and we should not encourage any such action which would tend to nullify the education work being done by cooperatives.

Just when does a customer become a member of a cooperative and when would the dividend be taxable or not taxable? The reason I ask that question is that there is a general practice among cooperatives to apply the amount of the dividend which would be paid to a non-member to his membership fee. I should like to quote from a letter sent out by one of the prominent cooperatives in the west to illustrate this practice, and in doing so I will not give the name of the cooperative. The letter reads:

> Our records for the fiscal year ending October 31, 1945, show that you have done $81.65 worth of business. The rate of dividend has been set at four per cent, so that the amount of patronage dividend due you on your business is $3.27.
>
> As has been the practice in previous years only paid-up members are entitled to receive dividends. All those doing business with us and wishing to receive dividends are being made permanent members. Fee for permanent membership is $5. Our records show there is $4.75 due on your permanent membership fee. This amount will be deducted from dividends.

When does that individual become a member? Would it be at the time the twenty-five cents was credited against his membership fee, or would he have to wait until the full membership was paid?

Mr. ABBOTT: I think that would depend upon the by-laws of the cooperative. As my hon. friend knows, a patronage dividend, whether paid to a member or a non-member, is deductible from gross income. There is no difference as to the tax-exempt feature, if I may use that term, of the patronage dividend, whether it is paid to a member or a non-member. I think the question of when a man would become a member of a cooperative would depend upon the by-laws or other internal regulations of the cooperatives.

Mr. QUELCH: I was thinking that if a dividend is credited against dues of a non-member, then the association would be taxable.

Mr. ABBOTT: It would not be taxable; there is no difference.

Mr. QUELCH: It was suggested this afternoon that the three per cent proviso is really the only objectionable feature left, but personally I am not so sure about that. The three per cent proviso is certainly a bad one. I say that because the government is trying by legislation to define a cooperative as a profit-making institution. I consider it a vicious practice to define it as a profit-making institution. The minister shakes his head, but that is what it amounts to.

The point I disagree with most of all is in relation to the revolving fund. The majority of telegrams that I have received have referred to the revolving fund. I will quote one:

> Budget proposals constitute serious threat to expansion of cooperatives. Taxing of revolving dividends will impede growth.

The minister, in his reply this afternoon, stated, and I got this from *Hansard* to make sure I have it right:

> Any net additions to the revolving fund are taxable but the revolving fund continues to revolve.

He ended there. He might have added, until it is exhausted. The revolving fund accumulated in the past will not be taxed, but any additions to it will be taxed. Is that correct?

Mr. ABBOTT: Yes, but it can keep turning over. Suppose there is $15,000 in it now. It can be maintained at that figure and keep turning over and over.

Mr. QUELCH: The practice is to pay out certain sums from the revolving fund from time to time, but if any new money is put into the revolving fund it will be taxable?

Mr. ABBOTT: It would have been clearer if I had said that the net additions to the revolving fund are taxable.

Mr. QUELCH: Are we to understand that if a certain amount is paid out of the revolving fund and a certain amount of new capital is put in, that new capital will be taxable?

Mr. ABBOTT: Not unless it increases the fund.

Mr. QUELCH: Then it will not be possible to expand the business without paying the tax?

Mr. ABBOTT: That is right. The expansion of the revolving fund will have to be made either out of patronage dividends received by the member and put back into the business, or out of profits—I call them profits—which are kept in the business and would have to be considered as taxable profits. You cannot further build up working capital out of tax-exempt income.

Mr. QUELCH: If only part of the fund is paid out and a certain part of the patronage dividends is allocated or credited to the customer and made exigible and is put into the revolving fund, and there is an increase in the amount in the revolving fund, will that dividend be taxable?

Mr. ABBOTT: The answer to that is this. If a patronage dividend is declared to member A, and it is $25, and it is desired that $10 of that should stay in the cooperative and form part of what we refer to as the revolving fund, that could be done in two ways. A cheque could be issued to the member of the cooperative for the $25 and he would hand $10 back, or he could direct the co-operative to pay him $15 and keep the $10. It is just a matter of machinery.

Mr. QUELCH: The minister will note in the recommendations of the commission, section VI, that paragraph (3) reads as follows:

That cooperative associations and organizations, joint stock companies, partnerships, and other bodies and persons shall be allowed to deduct, in computing taxable income, such amounts as patronage bonuses, patronage dividends, refunds of excess handling charges, discounts, rebates and other similar amounts which are paid—

Not paid out by cheque at all.

—or credited to their customers, in proportion to the quantity, quality or value of goods acquired, marketed, or sold or services rendered; provided that:

(a) such amounts are paid in cash or its equivalent within six months after the annual meeting of the relevant fiscal period of the association, organization or company and within six months after the end of the relevant fiscal period of other businesses; or—

And this is the point:

—alternatively, that they are credited within the same period to each customer and exigible by him on giving such notice as may be deemed reasonable.

That is the recommendation of the royal commission, that patronage dividends credited, made exigible, should not be taxable. The same applies in Great Britain. I quote from page 226 of the report:

Again, in Britain, societies are financed in great measure by share or loan capital. Much of this capital is accumulated by crediting purchase bonuses to the share or loan account of the individual member. Payment for shares or loans is typically exigible by the individual member on demand or short notice. Accordingly, any patronage payment credited to the share or loan capital account of the member, or prospective member, may be treated as equivalent to a cash payment and is not taxed as income of the society. As old members withdraw and new members enter, the capital of the society may be "revolved" by means of patronage allotments by the society without payment of income tax.

That is the practice in Great Britain, and the commission recommend that it should be the practice in this country. Therefore I cannot see why the minister insists that the money must be actually paid out to the member and the member return the money to the society. Surely, if the patronage dividend is credited to the member, made exigible, there should be no tax on the society. I would agree that the money of the customer would be taxable as the income of the customer if paid by a producer cooperative, but it should not be taxed again as the income of the society. Otherwise you would have double taxation, thirty per cent on the cooperative, and then later the individual would have to pay a tax as well when the dividend is paid out to him. That is a vicious departure from the commission's recommendation and also different from the policy in Great Britain.

Mr. ABBOTT: I am advised that there is no real departure from the commission's recommendation. This is a complicated matter and I do not know that I shall be able to make it entirely clear. It was found under our system there would be serious administrative difficulties if it were credited without any direction on the part of the member who would ordinarily receive it. Therefore it was decided that it could be paid in cash or its equivalent. If a dividend is declared and a portion is paid in cash and the balance retained on the specific direction of the member, the whole can be deducted. My hon. friend will notice that on pages 44 and 45 of the report under the heading, "Summary of Recommendations", there is a further provision that even if the dividend is held by the

cooperative without the direction of the member in the way I have indicated it can be claimed as a deduction when paid out. I am advised by the departmental officials who have studied this matter carefully that substantially the recommendation of the commission in that respect has been carried into effect. I accept that statement. Perhaps my hon. friend, like myself, finds this a little difficult to follow. Of course, as I said this afternoon, the resolution is only in very general terms, and even after the legislation is passed there will have to be the usual administrative practices to supplement it.

Mr. QUELCH: I would agree that it is certainly better than it was before the minister made his statement this afternoon. But where the dividends are credited or allocated and made exigible, there should be no question of the tax being paid, even though in later years it may be deducted.

Mr. ABBOTT: In the meantime they will have to pay a tax, apparently.

Mr. BENTLEY: There is one other point I should like the minister to explain to the committee if he is prepared to do so at this time; just what is the situation now regarding the wheat pools?

Mr. ABBOTT: I made a statement on that this afternoon, so that perhaps my hon. friend would look at it.

Mr. BENTLEY: I want a little more clarification. I understood the minister to say that the revolving funds were not taxable unless they increased.

Mr. ABBOTT: Unless there was a net increase.

Mr. BENTLEY: Above what? What is the measuring stick by which you calculate the increase?

Mr. ABBOTT: From the previous year. Suppose the revolving fund at the end of 1946 were $25,000; that revolving fund could continue through 1947 at $25,000; but if it had increased to $35,000 at the end of 1947 I take it that the net increase, $10,000, would be considered as taxable income in that year. Does that answer the hon. member's question?

Mr. BENTLEY: I thank the minister for the explanation, but that does not satisfy me that it is a proper thing to do, for this reason. Supposing a cooperative agrees at the annual meeting by vote of the members that it will deduct each year from the dividends payable, say 12½ per cent—some use 50 per cent—not a net amount but a percentage of the dividends. That amount of business in a certain year will make 12½ per cent of that, a certain amount of money. In the following year, through increased efficiency because of reduced costs, or more business, the amount may possibly be increased. At the end of four or five years, when the first amount has revolved, the actual amount of that revolving fund may have changed several times. Each time the business is increased, through increased efficiency because of reduced costs, or more business, and the same percentage is retained in the revolving fund, the amount of the revolving fund is increased because of that increased efficiency or increase in business, and you plan to tax them for having done that. I do not quite follow how you reason out the excuse for doing that.

Mr. ABBOTT: I am not entirely sure that I follow my hon. friend correctly, but I assume from what he has said that the net increase to which he is referring is, in fact, income of the cooperative which has not been disbursed to its members.

Mr. BENTLEY: Naturally, because it has been retained under agreement by them at the annual meeting. So I say that it is not a net increase that should be taxed.

Mr. ABBOTT: That, of course, is a matter of opinion. I appreciate that my hon. friend thinks it should not be taxed, and I think it should.

Mr. BENTLEY: But it is your intention to tax it?

Mr. ABBOTT: That is right, yes.

Mr. ISNOR: I am not going to deal with this question of profit-making enterprise from the point of view of either private enterprise or cooperative enterprise, but as I sat and listened to the hon. member who last spoke with regard to the increase of this revolving fund I wondered where that increase was coming from if it were not coming from profits. If it were coming from profits I think it should be taxed, and I believe that is the intention. With that in mind, I am going to ask the minister three simple questions. I have written them out so as to place them before him to make it very easy for him.

The first question is, has an estimate been made as to the annual cost or loss to the income tax division by the permission being granted to cooperative enterprises to deduct patronage dividends from their income tax returns? If so, is the minister prepared to state this cost?

Mr. ABBOTT: The answer is that no such estimate has been made.

Mr. ISNOR: Would it be fair for me to estimate that it will run into many millions of dollars?

Mr. KNOWLES: Or does it prove it if you do?

Mr. ISNOR: I leave it in the air, the same as you often do.

Next, if cooperative enterprises are permitted to deduct so-called patronage dividends from their income tax returns, will the same permission apply to those engaged in private enterprise who wish to pay yearly patronage dividends to those who assist, by loans or otherwise, in promoting taxpayers' business?

Mr. ABBOTT: Well, as my hon. friend knows, under the proposals private concerns may pay patronage dividends on the same basis as cooperatives, provided that they are paid in proportion to patronage. The main difference in the case of the private concern will be that the private concern must pay to all customers on the same basis. The cooperatives may pay to members and not to non-members.

Mr. ISNOR: I should like to enlarge a little on the last reply made by the minister. I am to take it for granted from his reply that as a business man I am permitted every Christmas or at some time in the year to send out a cheque to all known customers doing business with me, and thus to pay out the entire profit which I might make during that year.

Mr. KNOWLES: Good idea.

Mr. ABBOTT: Only if, as provided in the terms of the resolution, you have held out the prospect to them that they will receive that patronage dividend at Christmas or some other appropriate date.

Mr. ISNOR: We could very well do that. We could very well have done it in the last six years to the extent of our excess profit tax.

An hon. MEMBER: Some of them did it.

Mr. ISNOR: I am not one of those who did it. I should like it on record as to whether we are allowed to do it.

The other and last question—and I feel it is a simple one for the minister—is this: could a merchant at present doing business, who reorganized his business into a cooperative mail order enterprise, selling stock or memberships at $10 a share, with a total capital of, say $200,000, and who did an annual business or turnover of $1,500,000 with a net profit of $400,000, deduct this full amount from income return, provided that it was paid out in the form of patronage dividends or business bonuses?

Mr. ABBOTT: That is a pretty complicated question. I think I shall have to consider it carefully when I see it in *Hansard* and give my hon. friend an answer a little bit later, if I may.

Mr. ISNOR: Then I may look forward to an answer.

Mr. ABBOTT: I will give some kind of answer.

Mr. CRUICKSHANK: I hope the minister will permit merchants to deduct at Christmas or any other appropriate season of the year the excess profits tax on the suit for which I have been charged. Speaking for one of the largest cooperatives in the Dominion of Canada, in the dairy industry, I have one simple question, and I, too, have written it out, so that I shall not waste as much time as some of those representing the poor down-trodden private interests. Where capital stock bears a fixed rate of interest, which rate is written into the rules of a cooperative and is set aside concurrently in a manner similar to any other operating charge, is this to be considered corporate income?

Mr. ABBOTT: No, it is deductible from gross income for tax purposes.

Mr. TOWNLEY-SMITH: To come back to this revolving fund mentioned by the hon. member for Swift Current, the revolving fund is not taxable unless it increases; is that the intention?

Mr. ABBOTT: That is correct.

Mr. TOWNLEY-SMITH: Suppose they increased from $35,000 to $45,000 because patronage dividends were left in. Those dividends would not be taxable up to twelve months. That is also correct?

Mr. ABBOTT: Put it the other way. They may be deducted if they are distributed within twelve months.

Mr. TOWNLEY-SMITH: If this revolving fund increases because of the patronage dividends which were left in for twelve months, on what ground would they be taxable?

Mr. ABBOTT: I think the answer to that is this. Let us take a specific date. Let us take January 1, 1946. The revolving fund amounts to $20,000; in the course of 1946, by reason of the fact that patronage dividends

are not paid out, it increases to $30,000. If, before December 31, 1947, patronage dividends to the extent of $10,000 are declared and paid out, they can be deducted from the earnings of the previous year. If they are not declared and paid but are left in, that means that there will be $10,000 of income subject to tax in that year. Of course they can be declared. The recipients can instruct the company to retain them in the company, and in that event they would continue to be deductible, as I pointed out a moment ago to the hon. member for Acadia.

Mr. BENTLEY: In that event would the minister consider that an annual meeting recommendation would be sufficient to show that the member had given the cooperative authority to hold them?

Mr. ABBOTT: No.

Mr. BENTLEY: Must it be in writing?

Mr. ABBOTT: No; I think it must be individual authorization on the part of the member himself, not a vote of the majority of the members, which, in fact, would be the annual meeting recommendation. In other words it would have to be individual action rather than corporate or association action.

Mr. BENTLEY: Why does the minister require that provision; is he trying to limit the growth of the cooperatives?

Mr. ABBOTT: Not a bit.

Mr. BENTLEY: It will have that effect.

Some hon. MEMBERS: No.

Mr. ABBOTT: I do not agree with my hon. friend that it will. I say that we are doing it only to maintain some semblance of logic, propriety and fairness as between those concerns which operate as cooperatives and those which do not. In my opinion the legislation is such that it cannot handicap in any way a genuine cooperative enterprise.

Mr. BENTLEY: Has the minister ever been a member of a cooperative? Has he ever worked for one or helped to build one?

Mr. ABBOTT: I have never been a member, nor have I worked for one. I have seen a good many of them operate. We have them in Quebec; I have talked to a good many people who are members of and are interested in them, and that is my opinion for what it is worth. I know my hon. friend holds a different opinion. It is obviously a question on which opinions may differ.

Mr. CAMPBELL: The minister said that if the capital were increased the increase would be taxable. I have one illustration here.

Mr. ABBOTT: I cannot agree with that statement as it stands. Perhaps my hon. friend will elaborate it.

Mr. CAMPBELL: I will elaborate by reading a telegram.

Mr. ABBOTT: It would depend on the way in which capital was increased.

Mr. CAMPBELL: The telegram reads as follows:

> Our programme of improved facilities is financed by the revolving reserve plan of deferred patronage dividend loans from members and loan from the Saskatchewan cooperative credit society. If budget proposals adopted will involve considerable embarrassment in plans for repayment.

There is no question but that many of the cooperatives depend on the allocation of patronage dividends which are left in to be used as capital. Is this going to affect them? Are these patronage dividends which are left in as capital to be taxed?

Mr. ABBOTT: I can answer that in this way. They are not going to be taxed in the hands of the cooperative if the man who receives them or who is entitled to receive them says: "Keep that amount of money in the cooperative and pay it out when I demand it."

Mr. TOWNLEY-SMITH: He may leave it for a year if he wishes.

Mr. ABBOTT: He makes an investment in the cooperative. In many of our cooperatives in Quebec the members make an investment in the cooperative; they buy a share or they may lend the cooperative money. The capital is obtained in various ways. They may acquire their interest in the way that is mentioned by using a portion of their patronage dividends to supply that capital interest in the cooperative.

Mr. TOWNLEY-SMITH: The statement has been made that these patronage dividends are taxable if they are kept by the association for more than twelve months.

Mr. ABBOTT: But not if they are declared as patronage dividends and actually, or constructively, paid to the member. That is the point I am trying to make, but I am afraid I have not made it too clear.

Mr. QUELCH: Provided that they were actually paid, would the cooperative have to send the cheque out?

Mr. ABBOTT: No. I said that was one way in which they might do it. But I gave an illustration of two ways in which it might be done. One would be for the cooperative to send out a cheque for $25 and the member

would send back a cheque for $10. I said that another and equally legal and effective way would be for the cooperative to send out the cheque for $15 and keep $10, provided that they had received the specific written direction from the member to keep that $10.

Mr. CRUICKSHANK: He could receive a share for that $10?

Mr. ABBOTT: Yes.

Mr. QUELCH: If the cooperative announced that they were withholding a certain amount, and it was an equitable amount, would that be satisfactory without having to get authorization?

Mr. ABBOTT: Put it in this way. If the patron has his individual, legal right established to receive $25, which I used as an example, he is perfectly free to say, "Keep $10, $15 or $20, or even the whole $25 and apply it in the purchase of a share or keep it as a loan," or in any way he sees fit to furnish capital to the cooperative of which he is a patron or a member.

Mr. CRUICKSHANK: That could be done in the case of milk, a deduction of so much per pound of butter fat?

Mr. ABBOTT: I am advised that that could be done if there is a contract which authorizes the cooperative to do it on behalf of the members.

Mr. LOW: Is there not just one limitation to what the minister has just said in connection with the $25 which is kept by the cooperative on behalf of a member—

Mr. ABBOTT: And on his instructions.

Mr. LOW: Yes. If that results in a net increase in the revolving fund, does not that become taxable?

Mr. ABBOTT: No. I realize that it is a little confusing, but the answer is definitely, no.

Mr. McGARRY: Does the tax legislation ignore the basic difference between cooperative and private business?

Mr. ABBOTT: I am afraid there was a little noise and I could not hear my hon. friend's question.

The CHAIRMAN: If there could be more order in the committee it would not be necessary for the hon. member to speak any louder.

Mr. McGARRY: Does this proposed legislation ignore the basic difference between cooperative and private business?

[Mr. Abbott.]

Mr. ABBOTT: I would say no.

Mr. KNOWLES: Does it do it?

Mr. ABBOTT: The answer is still no.

Mr. McGARRY: Does it mean that cooperatives have to treat members and non-members alike?

Mr. ABBOTT: No.

Mr. McGARRY: Are cooperative members allowed to leave their patronage dividends with their societies?

Mr. ABBOTT: If they so instruct the society, yes.

Mr. CAMPBELL: I think it all adds up to this, that it will be pretty hard for the minister to bring in a bill which will cover all the statements he has made to-night.

Mr. ABBOTT: That is one point on which I am 100 per cent in agreement with my hon. friend.

Mr. CAMPBELL: I think this discussion has indicated the need for a cooperative act which will define what a cooperative is and make plain what the cooperatives are going to be up against. For instance, when the Minister of Finance was speaking on Thursday of last week he had this to say, at page 3593 of *Hansard*:

> If this resolution that we are proposing as a result of the recommendations of the royal commisison does not work well; if it turns out to be prejudicial to the development of cooperatives, which we do not want it to be, it can be changed.

I think the time to change it and make it right is now, and it would be a good idea if we let this resolution stand and had further conferences with the cooperatives themselves, and tried to make this legislation satisfactory all round.

Mr. ABBOTT: I think, if I may say so to my hon. friend, that we shall make a little more progress along that line if, as I said this afternoon, the house sees the legislation that is to be brought in, and I question whether the matter would be very much further advanced by deferring action with respect to legislation until we have had further conferences with the cooperative organizations or others. There have been extensive conferences, as my hon. friend knows. This debate and the conferences we have had and the discussion that has gone on for a period of some years admirably illustrate the statement that it is impossible to please everybody, and I think we should make a start in this matter. As the Minister of Finance has said, and as I have said, we are following substantially the recom-

mendations of the commission. I believe the proposals are sound, and I am also a believer in the process of trial and error. Let us get the legislation in force and see how it works. There are a great many people in this world who do a lot of crying before they are hurt, and I have a suspicion that that applies here. It may be, and I think is, due to lack of a full understanding of just how the thing will work; and I confess I could almost include myself in that class. Still I believe the proposals are sound. Certainly I do not feel that I would want to substitute my judgment for that of the commission which made this exhaustive investigation into this difficult question. I think the time to act in this matter is now. I believe we should get the bill into the house as soon as we can and let hon. members shoot at it, as I am sure some of them will; but let us try to get the thing settled.

Mr. FAIR: I believe we are making pretty good headway here this evening. We had two big points to discuss and now, after a great deal of education on both sides, I think one of them is pretty well cleared up, at least until the legislation is brought in. I hope we shall not have to spend any more time in getting a clarification of the proposals in regard to the revolving fund. The minister's final explanation of that is quite satisfactory to me, provided that there is not in the legislation something which will change that around again. Of course, if there is, we shall have a whole lot more talking to do about it. The minister has suggested that he believes in trial and error. We do, too, and we have been trying this cooperative legislation without the three per cent which is now the difference between us. I suggest that the minister allow it to be carried on as it is, and that will be quite satisfactory over here. Perhaps the time spent in the house on the matter is costing the government more money than it will get from the three per cent provision.

I think we should realize that the cooperators are not making profits on people other than themselves, without being quite willing to pay income tax on any amount made in that way. That is a point some people fail to recognize. The sooner some of those who are throwing monkey-wrenches into the works realize that the cooperatives are not profiting at the expense of anyone but themselves, that they are merely returning to themselves overcharges, the sooner we shall get along. So I suggest to the minister that he do away with this three per cent. It is not recommended by the commission and I do not think it works in that way in the old country. If he will throw that aside, perhaps we can give him a clearance on this resolution.

Mr. ZAPLITNY: I am sorry to come back to this revolving fund, but I do so because I think I can be helpful. The difference I see is a difference in principle; that is why I bring it up on the resolution rather than on the bill itself. Up to now the custom has been that at the annual meeting of the cooperative it is decided by a majority vote of the members present what amount shall be kept as a reserve, or a revolving fund, or whatever you wish to call it, and what amount shall be paid out in patronage dividends. I understand that system was satisfactory and there were no complaints from the members of the cooperatives themselves. If they did not like that system they could change it in their local cooperatives. The government now proposes to change that system by declaring that they cannot by a majority vote withhold any amount they wish, but that they must have an individual authorization from each member of the cooperative who receives a dividend.

Mr. ABBOTT: If my hon. friend will allow me, I take it he appreciates that the commission recommended against the practice he has been describing.

Mr. ZAPLITNY: Yes, but that does not alter the argument. Regardless of what the commission may have said, we are legislating here for the cooperatives. The thing I am trying to get at—

Mr. ABBOTT: We are legislating for Canada, not for the cooperators alone. We are legislating for every Canadian; I think that should be made clear.

Mr. ZAPLITNY: Well, for the time being we are talking about the cooperatives as a group, and I am trying to point out that in effect we are telling the cooperatives how to run their business. We are interfering with the internal functions of the cooperatives themselves by telling them they must do it in a certain prescribed way. At the moment I am not criticizing the government for what they are doing; I shall do that later. I am only trying to find out what is the motive behind it, why they are doing it. There must be some particular reason why they have found it necessary to interfere with the internal methods of operating the business of the cooperatives.

Mr. ABBOTT: The answer to that is very simple, if I may give it at once. We endeavour to treat every Canadian on the same basis as far as taxes are concerned. No other Canadian

is entitled to build up capital out of tax-free income; and if the cooperative as such has income, it cannot be added to the capital without paying a tax on it. The commission recommended against it. We are telling the cooperatives how they should run their business in the same way as we are telling anybody else how they should run their business if they are or are not to be subject to taxation. That is all we are doing.

Mr. ZAPLITNY: I am afraid that is only part of the story. I want the minister to understand that unless he is prepared to admit there is a basic difference between the set-up of a cooperative enterprise and that of a private business, then we are at cross-purposes and we could argue all night. However, from the answer the minister gave to an hon. member who asked a question, I understood that he felt there was a basic difference. Maybe I should bring out that basic difference. In the case of the private business, where a dividend is to be declared the whole decision of how much shall be declared and when it will be paid is in the hands of the person who owns the business. The customers of that business have no say in when or how much of the dividends shall be distributed. In that case, therefore, it is necessary for the government to put a limit of six months, or twelve months, or whatever they like, in order to make sure that that dividend is paid, and not only declared.

If we wanted to take a hypothetical case we could say that if I were the owner of the business I could declare a dividend to my customers at the end of this year, but fail to pay it for the next fifty years. There would be nothing to make me pay it, because I am the owner of my business. No one can tell me what to do, because it is my money, even though I have declared it to somebody else.

But in the case of a cooperative that is not true, because the members of a cooperative are the customers. Therefore they themselves can decide when and how much shall be paid. It is, therefore, unnecessary in the case of a cooperative enterprise for us to butt in and tell them how to run their business.

Mr. ABBOTT: But the companies to which my hon. friend refers have to pay taxes on their profits, whether they pay dividends or not. The only difference is that the shareholder would not get dividends and have to pay taxes on them as personal income tax. However, the question which has been raised was considered by the commission, when at page 31 it says this:

On this first head of argument—

And the context explains what is meant by the "first head of argument."

—therefore, considerations of public interest do not lead us to the conclusion that cooperative associations should be given a blanket exemption from income tax while their competitors are subjected to the full burden of the current heavy rates. The considerations referred to do suggest, however, that where there is doubt as to what the income of an organization really is, the relative strength of cooperative associations and their competitors should be carefully considered to make certain that the solution finally adopted will not ruin one or the other, or unduly constrict their relative growth and development.

The granting of fiscal advantages is not usually a good method of giving special encouragement or assistance in the field of economic venture. Exemptions granted to one segment of the commercial community can scarcely benefit the public as a whole. Welcome though they may be to those who receive them, the burden from which some are relieved falls with proportionately increased weight on the rest of the economy.

It is for that reason I say that in drafting tax legislation one must see that it is fair to every Canadian.

Mr. KNOWLES: Yesterday, while we were discussing another resolution, the minister made a statement which I warned I would quote back to him at the appropriate time. That moment has arrived. It was in connection with resolution 24 when, as recorded at page 3870 of *Hansard* of July 25, the minister said:

It is believed that investment trusts of the sort being considered represent in effect merely collective investment by individuals, and it is considered that the mere funnelling of income through the company to individuals should not bring on an extra tax.

I will admit that there are points of—

Mr. ABBOTT: Substantial points of difference.

Mr. KNOWLES: Yes, but also substantial points of similarity. The minister will correct me if I am wrong when I say that the granting of the exemption to these trusts, in respect of both corporation income tax and excess profits tax, was based upon the fact that the individuals who joined in this collective effort already pay, personally, a tax on what they earn.

That being so, I suggest that there is a substantial similarity in that the members of cooperatives are simply getting back a portion of their own income, on which they have already paid taxes.

Mr. ABBOTT: And when they do there is no tax payable by the cooperative. The patronage dividends are deductible.

Mr. KNOWLES: The minister admits, by that, that there is merit and validity in the

point we are making, namely that patronage dividends are savings and should not be taxed. That should apply all the way through, and that is why we contend the three per cent provision should not stand. That is our principal objection.

Mr. ABBOTT: On the so-called investment trust, under the funneling through idea, as my hon. friend knows the provision in our income tax law is that there will not be double taxation on corporation dividends. Dividends received by a Canadian corporation from another corporation are exempt from tax. In the case of the investment trust, the main point is that there is no active business enterprise carried on by the company. It simply holds the tokens, shares, or debentures of some other concern which carries on the active business operation. It is merely an intermediary, as it were; I wonder if I am expressing myself clearly; the so-called investment trust does not perform any active business operation. It is not a commercial corporation, as is a manufacturing company. It does not carry on active business, as does a cooperative, whether it be a consumer or producer cooperative. It is just a creature of the law, which holds the stocks or the evidence of indebtedness of other corporate entities.

Mr. KNOWLES: Very similar to the provincial cooperative set-up, or a provincial cooperative wholesale. I admitted, when the discussion began, that the analogy does not hold all the way through. Analogies are always risky. But the minister has said that the difference in respect of this investment trust is that it is not in the business of making profit for itself as a corporation. It is simply an intermediary, working in the interests of individuals who have put their money in there.

I submit that that is what we have in both producer and consumer cooperatives. We have the collective effort of a group of people, not to make profits but rather to save themselves money. As a matter of fact the case is much stronger for them than for those in the other examples mentioned.

While I am on my feet, I should like to say a word or two about one cooperative in particular. I do so simply because I am a member of it. I have been a member of the board of directors, and for that reason I know something about it. This particular cooperative is situated in Winnipeg.

Mr. MacNICOL: What does it handle?

Mr. KNOWLES: Chiefly fuel. It is known as the Red River Cooperative Supply Limited, and it is located in the area represented by the hon. member for Winnipeg South. One feature I remember particularly about the first annual meeting of the Red River Cooperative Supply Limited was the enthusiasm and unanimity with which the members of that cooperative decided that, although the Manitoba law allowed them to declare interest on invested capital, they were not going to do so. That matter has come up from time to time since the cooperative was organized, and it has been declared the wish and desire of its members that no interest should be paid on their working capital.

This legislation opposes that principle.

The savings effected by the Red River company are paid out in dividends, and there is also a revolving-door fund plan which has been taking the place of extra share capital, which interested people subscribed in the early years of the organization. The people who buy their fuel from that cooperative are not making profits, as anyone can understand. They are simply saving some of the money which they have already earned as wages or salary, and upon which they have paid taxes. And as a matter of fact, because of the savings they effect in that way, these people are able to spend that money on other things.

I suggest to other sections of the business community that do not like the cooperative organizations to get stronger that actually it is better for the community as a whole to have these increased savings in the pockets of the people so that they can purchase other things. Not only is it a perfectly fair position that we are taking; it is a position much more farsighted than that taken by private enterprise in opposing the growth of the cooperative movement. It is the business of the government and certainly it is the business of this parliament to be interested in this movement, not only from the point of view of fairness and equity, but because in the long run it will be good for the community as a whole.

By contrast with this legislation I was interested a few days ago to read a Canadian Press dispatch from Wellington, New Zealand, headed "Consumers' Co-Op in New Zealand", and reading:

> The latest step in the New Zealand Labour government's socialization programme is the introduction of consumers' cooperative societies to control all shops and other business in the huge state housing settlements being built throughout the country.
>
> The proposal is that there should be communal ownership and control of all groceries, bakeries, butchers, hotels, theatres, restaurants, boarding houses, garages, service stations, coal, wood and milk supplies and any other consumer services required.

Mr. FERGUSON: Is that from Russia?

Mr. KNOWLES: This is from New Zealand, one of the members of the British commonwealth, a sister dominion. The article continues:

Government officers have been canvassing state house tenants in the new suburbs for support for the plan. It is proposed to use state-built buildings which would be rented to the societies. Any profits would be distributed in consumers' dividends and rebates.

One society is already functioning at Naenae, near Wellington. No room for private enterprise remains in this suburb. All buildings are state-owned and are made available only to the society.

That is part of an effort by that government to improve conditions in all ways for the people by putting things more and more into their own hands. That is what the cooperative movement in this country is also seeking to do. The acting minister would like to have this resolution pass so that he could present the bill, but it is evident that the principle involved in this proposal meets with serious objection from those of us who come from parts of the country where the cooperative movement is well established. If there were any validity yesterday to the minister's argument in connection with investment trust funds, there is much more validity to the argument that the savings of people which they save out of income and wages and on which they have already paid income tax should not again be taxed, not even to the extent of this three per cent of their employed capital.

Mr. BLACK (Cumberland): I have had to be out of the chamber most of the time lately, attending the industrial relations committee. In fact these days a person would need to be divided into two, three or four parts to get through his work. I am not familiar with the discussion on cooperatives that has gone on up to now, nor do I understand the amendments which have been proposed by the acting minister.

There are many people in eastern Canada and in my constituency of Cumberland who are interested in the welfare of cooperatives. They feel that they serve the ordinary farmer and ordinary householder in a way that no other organization has been able to do. They feel, whether rightly or wrongly, that the passing of this legislation will put their cooperatives completely out of business.

The cooperatives that are set up in my constituency and throughout eastern Canada are small compared with the many million bushels or millions of dollar operations in western Canada. I have received a number of communications from organizations in my constituency and the maritime provinces. I shall not read them all, but I have one here from the Amherst cooperative which represents 160 members and which was organized fairly recently. The membership of this organization feel that this legislation is most unfair to them and that it violates the principles under which they set up their organization. They give five reasons why this legislation should not be passed in the form in which it was introduced, these being:

1. They ignore the basic difference between cooperative and private business.

2. They force cooperatives to treat non-members, who have assumed no obligations or responsibilities, the same as cooperatives and private profit business members thereby eventually destroying cooperatives.

3. They prevent cooperatives from providing service at cost by forcing them to pay tax on not less than three per cent of the employed capital.

4. They interfere with the right of the individual member to leave his savings with his cooperative, for provision of further service, by forcing payment in cash within six months.

5. They propose that the minister may, in his discretion, discriminate as between cooperatives in the matter of retroactive taxation.

Other representations have been made to me. A community buying and selling club representing 145 members was recently established at Parrsboro in my constituency, and they make representation somewhat similar to those I have just read. I have received a communication from the St. Andrews cooperative in eastern Nova Scotia, as well as further representations from Monsignor M. M. Coady, director of the extension department, St. Francis Xavier university. This university has done a great service for cooperatives, for the farmer and fisherman and the ordinary householder, and its efforts are referred to as a model all over Canada and in the United States.

Doctor Coady has been misquoted in this house and in the press, and I believe that the leader of the official opposition (Mr. Bracken) made reference to this in his budget speech in connection with taxation of cooperatives. I think this correction is important enough for me to read it. If there are misgivings on the part of the small cooperative, such as those in my constituency, then I submit that Doctor Coady should be sent for before this legislation passes, in order that he may be satisfied that it is in the interests of the cooperatives and fair to them, because he has done more for them than any other man in Canada. If these men have misgivings as to how this legislation is going to affect them they will be reassured if Doctor Coady

comes here and is satisfied that this legislation will not injure the ordinary cooperative. The statement issued by Doctor Coady reads:

A representative of the Canadian Press quoted me as being thoroughly satisfied with the proposals of the budget resolutions on the taxation of cooperatitves. There is no foundation for this. On the night that the budget was brought down, a Canadian Press representative called me on the telephone and asked me for my views. My answer was that I knew nothing about it. He went on then to outline the highlights on this matter and stated that patronage dividends were deductible before taxation, and that credit unions were to be entirely exempt. My answer was that if this were true it would be a triumph for the cooperatives. Subsequently it was plain that this supposition was not true. But the important "if" of my remark was omitted from the statement that appeared in the press.

I have now to say that legislation should be founded on sound basic principles. If not, it cannot long endure in a free society. The McDougall royal commission that thoroughly investigated this whole matter based their findings on a thorough understanding of cooperative principles, and brought in sane and reasonable recommendations.

Private profit business and cooperatives are specifically different kinds of business. It is logical to suspect, therefore, that no tax legislation that applies to the former would be applicable to the latter. Violence will have to be done to fundamental principles if this is tried. The essence of private profit business is that the businessman takes a toll from his fellow human beings—legitimate in some cases, and positively unjust in other cases. In cooperatives on the other hand no member of the firm or company —to use the terminology of old-line business— can take a toll from his fellows. Any money he receives back in the shape of patronage dividends is his own money. These dividends are overcharges that were made by himself in the course of a year's business. By no stretch of the imagination, therefore, can patronage dividends be called profit or income. If governments want to tax farmers and labourers who engage in cooperative enterprises, they should do it under some other title.

I believe that Doctor Coady was quoted in this house as being favourable to this legislation. I want him and those associated with him to be satisfied with this legislation before it passes this house. I do not believe from my contact with those who are members of cooperatives that they want to evade taxation. All they want is to be treated fairly. They want the principles under which cooperatives are supposed to be set up and under which they became members of the organization safeguarded. I hope that the minister and the house will be able to satisfy the members of the smaller cooperatives in eastern Canada that this legislation is proper legislation and fair to them and that it does not prejudice them in their operations.

Mr. ISNOR: Unfortunately, the hon. member for Inverness-Richmond is not in his seat at the moment. If he were I feel sure that he would immediately correct an impression which the hon. member for Cumberland may have left on the minds of some hon. members. The statement made by the hon. member for Inverness-Richmond with respect to Doctor Coady was simply a statement as reported by the Canadian Press. I want to make it clear that he simply read a statement published in certain newspapers and attributed to Doctor Coady. I know the hon. member for Inverness, as I have heard him say on more than one occasion, holds Doctor Coady, as do all the members from Nova Scotia, in the highest possible esteem, and if the hon. member for Inverness-Richmond were here—

Mr. MacNICOL: He is in his seat now. He came in quickly when he was called.

Mr. ISNOR: I know he will speak in the highest possible terms of Doctor Coady.

Mr. McGARRY: Mr. Chairman, if I am in order, I should like to explain my position with regard to what I said in my speech on the budget dealing particularly with cooperatives. I spoke on that occasion while I was a member of and sympathizer with and militant worker on behalf of the credit union of cooperatives as I know them in my constituency. I was not familiar with all the intricacies and the policies and the philosophy of that particular movement, and on that occasion I did not express my own opinion but based my opinion of what was submitted in the budget on an announcement that was made by Doctor Coady as reported in the Canadian Press. As I read his statement, it was that Doctor Coady was very well satisfied with this part of the budget proposals dealing with cooperatives. Afterwards Doctor Coady wrote me a letter, which I should like to read in part:

A representative of the Canadian Press quoted me (*Halifax Chronicle*, June 28) as being thoroughly satisfied with the proposals of the budget resolutions on the taxation of cooperatives. There is no foundation for this. On the night that the budget was brought down, a Canadian Press representative called me on the telephone and asked me for my views. My answer was that I knew nothing about it. He went on to outline the highlights on this matter and stated that patronage dividends were deductible before taxation, and that credit unions were to be entirely exempt. My answer was that if this were true it would be a triumph for the cooperatives. Subsequently it was plain that this supposition was not true. But the important "if" of my remark was omitted from the statement that appeared in the press.

He goes on to say:

I have now to say that legislation should be founded on sound basic principles. If not, it cannot long endure in a free society. The McDougall royal commission that thoroughly investigated this whole matter based their findings

on a thorough understanding of cooperative principles, and brought in sane and reasonable recommendations.

Private profit business and cooperatives are specifically different kinds of business. It is logical to suspect, therefore, that no tax legislation that applies to the former would be applicable to the latter. Violence will have to be done to fundamental principles if this is tried. The essence of private profit business is that the business man takes a toll from his fellow human beings—legitimate in some cases, and positively unjust in other cases. In cooperatives on the other hand no member of the firm or company—to use the terminology of old-line business—can take a toll from his fellows. Any money he receives back in the shape of patronage dividends is his own money. These dividends are overcharges that were made by himself in the course of a year's business. By no stretch of the imagination, therefore, can patronage dividends be called profit or income. If governments want to tax farmers and labourers who engage in cooperative enterprises, they should do it under some other title.

As I said in my budget speech, I did not know anyone better qualified than Doctor Coady to quote in stating my position with regard to this legislation. Let me add that I undertook to ask the minister to-night questions which were put to me by members of the cooperative. I have asked three questions of the minister, and I understand from his answers that even the cooperatives themselves do not really understand this proposed legislation. I am banking on the authenticity of what the minister said. There is another question I will ask when the bill comes down.

Mr. ABBOTT: I should like to add one word with regard to what the hon. member for Inverness-Richmond and the senior member for Halifax have said. Perhaps when Doctor Coady has an opportunity of appreciating the changes which I have proposed this afternoon he will feel that the proposed legislation is satisfactory. May I say that both I and the officials of my department would be very glad to discuss this matter with Doctor Coady if he would care to come to Ottawa. The bill, of course, will not be passed for some little time yet, and I am sure there will be ample opportunity for him to come here, should he care to do so, and discuss it with me and with the officials.

Mr. GILLIS: May I add a little to the confusion? In the last fifteen minutes, from the opposite side of the house and from my right—

Mr. ABBOTT: Nova Scotia forever.

Mr. GILLIS: —I have heard a Liberal member and a Conservative member read a letter with which, apparently, they are in agreement, since both admit that there is some basic principle which divides private business from the cooperative movement. Now the minister does not believe that—

Mr. KNOWLES: He does not want to.

Mr. GILLIS: —according to statements he has made here to-night. If it can be repeated from both sides in this way, pretty soon we shall all begin to believe it.

I want to make a brief observation with respect to the reading of these letters. I think it is unfortunate that the Canadian Press carried the story which precipitated the discussion which we have had for the last fifteen minutes. What the senior member for Halifax said a few moments ago is not correct, though I appreciate his coming to the defence of his colleague the hon. member for Inverness-Richmond. The hon. member for Inverness-Richmond merely stated in the house that he was referring to a press dispatch.

An hon. MEMBER: He quoted from a Canadian Press dispatch.

Mr. GILLIS: He did not do any such thing. I want to keep the record straight.

Mr. McGARRY: Doctor Coady made the announcement the day after the budget was brought down; I think it was on June 28; I did not speak until the 16th of July, and what I said that day I based on a press report.

Mr. GILLIS: I am not disagreeing with the hon. member for Inverness-Richmond. I do not know what he based it on.

Mr. McGARRY: Well, I made it clear.

Mr. GILLIS: The record is not clear on it. The hon. member for Inverness-Richmond spoke on the 17th of July.

Mr. McGARRY: I spoke on the 16th first, but I concluded on the 17th.

Mr. GILLIS: Well, this statement with reference to Doctor Coady is on the 17th, and this is what the hon. member said, as reported in *Hansard,* at page 3540:

> Doctor Coady has been the organizer, the initiator and the developer of the cooperative movement throughout the maritimes. He is now and has been for many years the director of that movement. What does Doctor Coady say of the legislation dealing with cooperative taxation? He has said it over the radio; he has expressed it in the press.

That is not quoting a press dispatch.

Mr. McGARRY: Oh, well, what—

Mr. GILLIS: Just a minute now:

> He has said it over the radio;

Mr. McGARRY: You are splitting hairs now.

Mr. GILLIS:

. . . he has expressed it in the press. This is what he said: "I am well satisfied with this legislation." After hearing the comments of the director of the maritime cooperative movement, who should know the facts of this legislation better than any other person in the maritimes, at least, what attitude should I take? Common sense should dictate the answer.

Mr. McGARRY: Might I interject that I did not quote all he said in the press, because he actually eulogized this piece of legislation?

Mr. GILLIS: The fact of the matter is that he did not say anything in the press. He denies that to-night from both sides of this house. That press dispatch was the concoction of some reporter who merely gave him misleading information over the telephone; and the hon. member for Inverness-Richmond said that he had stated it over the radio. Well, I do not think he did, according to these two letters. Some news commentator may have expressed something over the air. I just want to keep the record on that straight. I was shocked when I heard that statement in the house, because I know Doctor Coady quite well and I know his opinions on the cooperative movement. I did not think he would "go overboard," as the statement in the press would indicate. I had too much confidence in his judgment.

Mr. McGARRY: May I ask the hon. member a question? Does he doubt that I based my statements the day I made my speech on anything other than what I read in the *Halifax Herald*?

Mr. GILLIS: I am not quarrelling with that. Perhaps the hon. member based his statement on that. But for the purpose of the record—

Mr. McGARRY: There is no "perhaps" about it.

Mr. GILLIS: There is. It was not clear in the record.

Mr. LAPOINTE: It does not affect the issue at the present time.

Mr. GIBSON (Comox-Alberni): You never quote the press yourself!

Mr. GILLIS: Very carefully.

Mr. LAPOINTE: When it suits you.

Mr. GILLIS: I am very careful with the press. However, Mr. Chairman, what I rose to say—and I agree that this matter has been pretty well sifted and mixed up and I am still rather mixed up about it myself—is, that perhaps the focal point with regard to legislation on cooperatives in this budget is the matter of taxing that reserve fund. I am concerned about it for this reason, that I believe taxing that reserve fund will definitely stop any further development of the cooperative movement.

Mr. GIBSON (Comox-Alberni): Not if it is on a sound basis.

Mr. GILLIS: Maybe not. But I have been in this movement for a long time. I have been a member of committees of a consumers' store and a credit movement; I have helped to promote these patronage dividends and explain the purposes for which they were used, and that kind of thing, and, as I see it, the patronage dividend for a start, is an overcharge that is given back to the member.

Mr. ABBOTT: That may be the case with consumer cooperatives.

Mr. GILLIS: I am thinking about consumer cooperatives now. If you are going to tax that overcharge which is given back to the member, and which he allocates back to that store for the purpose of promoting his business, what you are going to force cooperatives to do is to discontinue that overcharge—

Mr. ABBOTT: We do not do that.

Mr. GILLIS:—and cut their prices, cut down their units of business. Some of these stores have three or four thousand members. They can cut down their units, distribute through the community, discontinue their overcharge, and run out of business the private merchant.

Mr. ABBOTT: We are not doing that.

Mr. GILLIS: But that is the effect you are going to have on the consumers' stores.

Mr. ABBOTT: I think you are wrong.

Mr. GILLIS: I hope I am. I caution the minister to examine carefully to see if that is not the effect that will have, because I think that is what will happen.

That is the only point I am concerned with. I think the amendments brought in have improved the situation considerably, and I have not any quarrel with the legislation as it is, except on that point.

Mr. ABBOTT: I honestly think my hon. friend will find he is wrong in the view he holds that that will be the effect.

Mr. GILLIS: The minister stated a moment ago that he was not reluctant to discuss this matter with the leaders of the cooperative movement in Canada before legislation was finally passed and come to a definite understanding as to the effect it is going to have. I am quite satisfied that that is the danger point in the taxation of the cooperatives.

Mr. ABBOTT: As my hon. friend knows, over the last week or ten days I had a considerable number of discussions with those prominent in the cooperative movement, and I shall be glad to continue that discussion. I shall be glad to have further discussion with the delegations who may wish to come and discuss it when the bill is before the house and when it is available for discussion. Other than that, I have nothing to add at the moment.

Mr. BLACK (Cumberland): When will the bill be printed so that we may have a look at it?

Mr. ABBOTT: It cannot be printed and produced until we pass the resolutions. I suggested this afternoon that we are not finally settling the principle of the bill which will be introduced when we pass these resolutions. I had hoped and suggested that we might get past the resolution stage so that I could introduce the bill. The committee could then see the specific statutory measure which is proposed and, both on second reading and when we are in committee, we can discuss it in concrete form. That is when, if necessary, specific amendments can be made to the suggested sections. That is all I was suggesting.

Mr. COLDWELL: Do I understand that when the bill is before the house the minister will be prepared to accept amendments and not take the position that, since the resolution is to govern the legislation that must follow, amendments in regard to particulars which are under discussion will not be accepted. That is the point which seems to be worrying some of my hon. friends. I have been attending committees and have not been following this discussion, and that is why I have not been participating in it. What seems to be the fear of some of my colleagues is that once these resolutions are passed, the government may take the position, when the bills are down, that we must abide by the substance of the resolutions.

Mr. ABBOTT: I would not take that stand, provided that the amendment being proposed by a private member were one which could properly be proposed by him. Obviously, if it is an amendment which can be proposed at this stage is could be proposed at that stage. Any amendment to the resolution which can be proposed, can be proposed when the bill is before the house and when it is in the committee stage. That is my understanding of proper parliamentary procedure.

Mr. COLDWELL: The minister is not closing the door?

[Mr. Gillis.]

Mr. ABBOTT: No. I said this afternoon, of necessity, the resolutions are drafted in rather general and not too specific terms for the very purpose of allowing a general discussion on the particular principles of the legislation on which the bill is to be founded. I am not too clear as to the history of these budget resolutions. I know that from a constitutional point of view a resolution approved by the governor general must precede a money bill; and in budget matters it is apparently the traditional practice to present a series of resolutions on which there is a general discussion. Then the government introduces legislation and there is further discussion on that. It has this merit, that it enables a good deal of general discussion to be held on the resolution stage, and in a good many cases it affords some guidance to the government as to what can usefully be included in the bill. Hon. members of the committee who have been here for some time know that, as a result of discussion in committee, very often numerous amendments are made to the legislation which is brought in. I think I can safely give the assurance to the committee that when the legislation is before us any amendment which can now be suggested could then be suggested; any amendment which a member, other than a member of the government, could properly place before the house can be made at that time. If there is any doubt on that point a record can be made of the passing of the resolution on division, for instance, which would indicate that there was not unanimous acceptance by some members of the resolution as it stands. I think that is a fair statement of the constitutional position.

Mr. COLDWELL: That is a satisfactory statement up to this point. From the weight of opinion in this committee and from the discussion that has taken place on this resolution from all sides it is quite obvious that there is a desire so to amend the legislation that the cooperatives will not in any way be penalized or prevented from expanding as they should. What I have in mind is that some amendments which might be proposed could not be proposed by a private member.

Mr. ABBOTT: Either here or in committee.

Mr. COLDWELL: That is right. If the minister and the government feel that the weight of logic advanced on both sides of the house is sufficient to show that the amendment should be moved, will the government take the responsibility to amend the legislation in spite of the fact that they have produced the bill following these resolutions?

Mr. ABBOTT: I shall answer that in this way by saying that the fact the government has produced a bill based on these resolutions would not preclude the government from changing its mind and proposing amendments, provided that it were satisfied that such amendments should be made. I must add to that by saying that under our system the government must and should assume the responsibility for making these amendments.

Mr. COLDWELL: I have no quarrel with that.

Mr. ABBOTT: That is the function of government under our system. My hon. friend will recognize that I could not, in advance, give a general undertaking such as he suggested other than to say that the government has not a closed mind in this matter, if I may use that expression. The government will be perfectly ready at the legislation stage to consider amendments which it may be felt are desirable.

Mr. BLACK (Cumberland): In view of the fact that so many people in the outlying parts of the country are concerned and disturbed with respect to the object of this legislation, could the minister not have these provisions relating to cooperatives printed separately in advance, and copies placed in our hands so that we would be in a position to consult those who have expressed their misgivings with respect to the legislation?

Mr. ABBOTT: I am afraid that that could not be done. I am hopeful that the discussion which has gone on to-day—and which has been helpful and which I have no doubt will be reported in the press—will help to clear up some of the misunderstandings. The cooperative union have an office in Ottawa, and I have no doubt that they will have taken cognizance of what has been said. If there are further points on which they are not clear they will no doubt consult me or the officials of my department. I hope that before the legislation is through its final stages ample opportunity will be given to all those who are actively interested in this matter to get information and to understand fully exactly what is proposed.

Mr. BRYCE: I should like to assure the minister that I do not want to be any more persistent than any other hon. member, but I have been bombarded with telegrams from my constituents in Selkirk who believe that, under the legislation about to be brought down, their rights are being taken away from them. I had a complete speech to give to-night, but I have sat quiet and allowed other hon. members to steal my thunder. The minister will be relieved at not having to listen to that speech. We have been talking about the revolving-door plan. The only thing I am satisfied about now is that I have money in a revolving-door plan in Winnipeg. I have listened to the minister twice and he has made two different statements, so that I shall have to read them to-morrow and decide which one he means.

Mr. ABBOTT: I hope my hon. friend is wrong. I do not think I have made contradictory statements, but if I have I shall clear them up.

Mr. BRYCE: I admit I could make a mistake, just as the minister might, but that is how it appears to me at the moment. I should like to get clear in my own mind this three per cent on the capital employed in the business. I happen to belong to the same cooperative as the hon. member for Winnipeg North Centre. I have a little money lying there, say $100, and you will tax the Red River cooperative on that $100 if they do business with it; is that not right? It is mine; I give it to them, and they are working with it.

Mr. ABBOTT: I have to make a qualified answer, but that is not necessarily so. If you have $100 which you have left with the Red River cooperative and they pay you interest on it, they deduct that interest as an expense and of course there is no tax. If you allow them to use that $100 without interest and take your share of the income of the corporation in the form of a patronage dividend, then the income of the cooperative for that year will be considered to have been derived to the extent of $3 from the $100 you have let them use as capital.

Mr. BRYCE: And that would be taxable?

Mr. ABBOTT: Provided, of course, that they have earned $3 or its equivalent.

Mr. BRYCE: The Red River cooperative gets that money from me so that they may do business. Then in turn they lend that money to the Manitoba cooperative wholesale, and when they get it you tax it again.

Mr. ABBOTT: No.

Mr. BRYCE: Oh, yes. It is their funds then, because it has been lent to somebody else.

Mr. ABBOTT: That is an accounting matter, but I make the positive assertion that the $100 we are using as an example would not have the income taxed twice.

Mr. BRYCE: Would that be contained in the legislation, because it will go farther than

that? When the Manitoba cooperative wholesale get it they again reinvest it with the interprovincial cooperative, and it is added to the funds of each different organization.

Mr. ABBOTT: I can only answer that the $100 cannot be in two places at once.

Mr. BRYCE: I know, but it can be taxed in two different places.

Mr. ABBOTT: No, it cannot.

Mr. BRYCE: Yes, it can.

Mr. ABBOTT: No money can be in two or three places, nor can it be taxed in two or three places.

Mr. BRYCE: I will show the minister how it can be taxed in three places in one year.

Mr. ABBOTT: But I would not accept the suggestion, because that would be unfair.

Mr. BRYCE: The legislation itself is unfair.

Mr. ABBOTT: You have not seen the legislation yet.

Mr. BRYCE: You are driving the cooperatives into becoming profit-making businesses.

Mr. ABBOTT: No.

Mr. BRYCE: You are defeating the very ideal of cooperative business. It does not seem that I am going to be believed, but if you want to have peace and quiet in the western provinces leave them alone. You have brought in some amendments; now take off the three per cent and let the men who have built up the cooperatives go ahead, because they are prospering to-day as they never did under the old system.

Just before I sit down I should like to say another word. The Minister of Finance had this is to say in concluding his remarks on this subject during his budget address, at page 2923 of *Hansard*:

> Credit unions which derive their incomes primarily from loans made to members and federations of credit unions will continue to be exempt from tax.

Mr. ABBOTT: That is the next resolution, if my hon. friend would care to allow his remarks to stand.

Mr. BRYCE: Very well.

Mr. GIBSON (Comox-Alberni): Would the minister indicate what he expects to be able to collect in these taxes on cooperatives, now that he has introduced his amendment?

Mr. ABBOTT: That question was asked this afternoon, and the answer was that I could not give any indication. My hon. friend and the committee will realize that a number of cooperatives do quite an appreciable business with non-members. Under the proposed change, in line with the views of most of these cooperatives, they agreed that the profits from that type of business should be taxed. The amount to be realized will depend in large measure on the proportion of business cooperative enterprises do with non-members, and the deputy minister assures me that it is impossible to give any estimate which would mean anything. In view of those circumstances, it would be a piece of sheer guesswork

Mr. GIBSON (Comox-Alberni): But you expect there will be something?

Mr. ABBOTT: Yes, there is bound to be something.

Mr. SMITH (Calgary West): I am sorry that the need for my presence in other places during the last few days puts me perhaps a little behind in this discussion. I am anxious that at some time, now or on second reading or at some other time, the minister should tell us what a cooperative is.

The second question I want to ask him is, what is profit? Until we know those two answers it seems to me we cannot advance very far.

However, here is my humble and simple thought. I live in the western country, from which comes the hon. member who spoke just a moment ago, who said to leave the cooperatives alone. Well, I wish we could, but if we leave them alone, the country will soon not collect anything in taxes, because everybody will adopt that method of doing business.

I am going to tell you, Mr. Chairman, what I think a cooperative is now. I think of a town forty miles from Calgary, where I lived, called Irricana, a very small village. On one side of the road was a grocery store run by an old friend of mine. He went broke and then died, though I do not suggest that going broke killed him. On the other side of the road another man had a store of about the same size. A dozen or so farmers in that area bought the store across the road. These were both general stores and their windows contained about the same things. Driving along in my motor car, granting that I did not know either one, I could glance at both and would go into the place whose window attracted me most. That is in no sense a cooperative; but persons calling themselves such have received consideration in taxation which the merchant on the other side of the street has not received. There can be no justice in a situation like that, where there is

differentiation in taxation as between one store using a certain name and another store on the other side of the street using another name.

I hope this meagre contribution may give the acting minister an idea, and that before we conclude this discussion he will tell us what a cooperative is. Then, being a Solomon in his own right, he may go on and tell us what profit is and what patronage dividends are.

Mr. ABBOTT: May I quote what the members of the McDougall commission had to say on this question of what a cooperative is. In view of their statement, perhaps my hon. friend will relieve me of the obligation of attempting to give him a definition. This is what they said, as it appears at page 40 of their report:

> It may be said that the term "cooperative" is nowhere defined in the statute. That is quite true and, indeed, it would be an almost insuperable task to devise a definition which, having regard to original principles on the one hand, and present-day practices on the other, would do justice to the subject.

Mr. SMITH (Calgary West): May I say to the minister that, McDougall commission or no McDougall commission, he is the man who is bringing in the statute. It seems to me that before he shall have finished he will have the inexorable duty—and that is a big word, and a difficult one—of telling us what a cooperative is; because that is what his legislation is about. Thanks to Mr. Justice McDougall, and those other grand persons who also touched upon the problem, as the minister is doing, I think the minister will have to give that definition before he finishes.

Mr. CRUICKSHANK: While I do not wish to take over any of the duties of the acting minister—

Mr. ABBOTT: Go ahead.

Mr. CRUICKSHANK: —I should like to give the hon. member for Calgary West a true definition of a cooperative. A true cooperative association is the Fraser Valley Milk Producers' Association of Vancouver, British Columbia.

The CHAIRMAN: Shall the amendment carry?

Mr. BRACKEN: Mr. Chairman, before the resolution either in the original or the amended form is passed I wish to make one observation, and to ask one or two questions of the minister and, in the light of that, to try to summarize the discussion we have had this afternoon, so far as I understand it.

My observation has to do with the discussion we have had in the last few minutes regarding the reported attitude of Doctor Coady, director of extension work at St. Francis Xavier university. I do this because I believe it was I the other day who questioned the statement of the hon. member for Inverness-Richmond. I wish to say that I do not think anyone in the house thought the hon. member intended to misrepresent the attitude of Doctor Coady. Certainly I did not think that, and I do not think any other member did. But the effect of the comment in *Hansard* was that Doctor Coady's views were misrepresented.

Because of that Doctor Coady wrote to certain members of the house, including the hon. member himself, the hon. member for Cumberland who read his statement, and to other hon. members. They have read his statement, and I think that ought to satisfy the committee with respect to his attitude. He did not approve the proposition as the government has brought it forward.

The questions I wish to ask the Acting Minister of Finance are just two in number. Whatever the details of resolution 12 may or may not be, it is clear that, in spite of the changes the minister proposes in his amendment, and the changes he states he is willing to make, the government still expects to do two things. It expects to collect a tax of three per cent on the capital employed by cooperatives, provided that the earnings, savings or dividends of those cooperatives amount to that much. It is still clear that he means to try to collect taxes on certain cooperatives, namely the western pools, for business done by them during the years 1944 and 1945.

The minister has indicated that he cannot answer one question accurately. Perhaps that may be true, but I am sure he or his advisers could give an approximate answer to an inquiry as to what the revenue would be to the government on the basis of the application of this tax at three per cent on the earnings of the capital employed by the three western pools, provided that they made that much by way of dividends, earnings, profits or whatever one chooses to call them. The name is not important. It is a gain to those who are interested. What would that tax be?

Then, I would ask the minister to give an estimate of what the tax would be on those same three large cooperative organizations, the three western grain pools, in either one or other of the last two years, on the basis which the government propose that they shall pay I do not mind saying why I am asking the question. I ask it because I think the tax on those organizations which the government propose to collect for 1944 and 1945 will be very much greater than on the basis they propose to apply taxation from this time forward.

I am going to suggest to the government that if in their wisdom the policy they are proposing for the future is sound, it will be difficult for them to establish that they can apply compulsion by which they will collect from those western cooperative organizations vastly greater sums for the last two years.

I pause at this point to allow the minister to state whether he can answer the questions now. I would not expect him to be able to do so at this time, but I say the house and country should have an estimate of what those revenues would be, before we are asked to give final consideration to the bill which will be brought down. After the minister answers, I should like to take five minutes to summarize our position.

Mr. ABBOTT: As the leader of the opposition has said, it would not be possible to give such an estimate at the present moment. However, I shall see if it can be prepared, and will give it within the course of a day or two, provided that it can be done. It may have to be given with certain qualifications, depending upon one contingency or another. However, I shall take his questions into consideration, and see what estimate can be given in reply.

Mr. BRACKEN: The most I would expect, and I am sure the most hon. members would expect, would be as close an approximation as the minister or his advisers could give.

The business before the committee is the consideration of resolution 12, the chief resolution advanced by the government with relation to the taxation of cooperatives. What does it propose? I shall not try to show all the things it proposes, but shall indicate only some of them. It proposes the exemption from taxation of patronage dividends, if they are paid in cash. It requires the payment of patronage dividends to non-members of the cooperative organization. I am now dealing with the main resolution.

Mr. ABBOTT: No, it does not.

Mr. BRACKEN: Third, it places a limitation on the exemption on earnings used to purchase the interest of deceased members, unless the purchase is made after 1941.

Mr. ABBOTT: No.

Mr. BRACKEN: The minister says, "No." I know he has said that he is going to have it modified in some way, but that is the way I read this resolution and that is the way I think most hon. members read it. If it is not so and if it is not going to be in the bill, so much for that.

In addition, the resolution proposes that there shall be a tax paid on three per cent of the capital employed, provided that that much is made in the way of profits or earnings.

Mr. ABBOTT: And not paid out in dividends or interest otherwise.

Mr. BRACKEN: Whether they are paid out or not, you are going to tax them to that extent.

Mr. ABBOTT: No, not if they are paid out in interest.

Mr. BRACKEN: If the concern makes up to three per cent you are going to tax them on the basis of that three per cent earned. That is in resolution 12, no matter what else there is in it. This afternoon when the acting minister came in he suggested that he was going to make some changes, and certain of those changes were incorporated in an amendment which has been suggested but which, I gather, has not been moved.

Mr. ABBOTT: It has been moved but not yet put.

Mr. BRACKEN: That is not a matter of importance.

Mr. ABBOTT: The record will show that one of my colleagues moved it.

Mr. BRACKEN: That does not matter. I did not hear it moved.

The ACTING CHAIRMAN (Mr. Golding): The amendment was moved and I read the amendment to the committee.

Mr. BRACKEN: It is not worth while wasting time on, but who moved it?

Mr. ABBOTT: The Minister of Veterans Affairs.

Mr. BRACKEN: Sometimes things appear on the record which have not happened, but that does not matter. If it was not moved, it can be; the minister tells us that it is going to be, so that there is no question about it. What was in his amendment? There were two things in it. First, he moved that the word "six" appearing in paragraph (a) of resolution 12 be replaced by the word "twelve". Everybody in the house accepts that as far as it goes, but it changes no principle. To the extent that it does change, it is more acceptable to this side of the house and, I think, to all parties on this side. The second part of the amendment was that the words "after the 1941 taxation year" appearing in paragraph (b) be deleted. That covers one of the objections which members on this side of the house and I myself raised the other day. As a matter of fact, the words in that part of the amendment are almost

identical with the words in an amendment which I would have proposed myself. The words in my amendment were:

That the resolution be amended by deleting from sub-paragraph (b) the words "after the 1941 taxation year."

In that one respect one of the features of the amendment which I would have moved has been completely covered.

The question was raised a little while ago as to what power a private member would have, either at this or at a later stage, to deal with major aspects of this question. I think I am right in saying that a private member of the house cannot move an amendment, either now or later, which would impair the revenues that the government had decided it wants to get. Therefore we are precluded from moving that the taxation on this three per cent be cut out, and we are precluded from moving that the taxation on the earnings or profits or savings of a cooperative during the last two years be cut out.

For the information of the acting minister when he is drafting his bill, I should like to read the other amendments I would have proposed. The minister has to some degree agreed to put these into effect, although perhaps in one instance not completely. The first clause of the amendment that I would have moved and had planned to move until the acting minister proposed to make certain changes was:

That the said resolution be amended as follows:

(a) by adding after the word "made" in the seventh line thereof the words "in cash or its equivalent of any kind."

That was intended to not limit the exemption on patronage dividends to dividends paid in cash only; it was intended to apply the exemption to dividends paid in cash or some equivalent. The minister has said that he is going part of the way to meet that, and we shall have to wait until we see the bill to know how far he is going. Perhaps that may be too wide; perhaps the minister's plan may be too narrow, but when the bill is brought down the house can deal with it. The other clause of my amendment was:

That the said resolution be amended as follows:

(b) By deleting from the second line of sub-paragraph (a), and from the first line of sub-paragraph (b), the words "his customers," and substituting instead thereof "its members," and from sub-paragraph (c) the words "his contracts with his customers" and substituting instead thereof "its contracts with its members."

The point of that amendment was to see that cooperative organizations shall not be required to pay partonage dividends to non-members. The minister has given some indication that he will accept that, as I interpret his remarks. I think that is one thing that all members on this side want done, and to the extent the acting minister does it he will be meeting the wishes of hon. members.

I should like to ask also that the minister clarify as simply as possible just how he intends to apply the taxation to these three types of cooperative organizations for the last two years. I know he dealt with it this afternoon, but that was in the form of a prepared statement which I have not as yet seen.

Mr. ABBOTT: That was not a prepared statement; that was extemporaneous.

Mr. BRACKEN: Then the minister can do it extemporaneously again, and perhaps in a shorter time.

I rather hesitate to refer to a matter which was raised by one of the speakers this afternoon. Ordinarily, when a private member asks a question and requests an answer of me I do not feel compelled to give it. This afternoon the hon. member for Dauphin raised a question as to my authority to speak for this party, and he referred to someone in Winnipeg who speaks either for himself or for an organization known as the income tax payers' association.

I think every one admits that we are still living in a country where there is free speech. Mr. Thorvaldson is entitled to speak for himself or for the organization he represents. Whatever may be the merits or demerits of his attitude toward this matter, he does not speak for this party. If there is any question about that, let this one simple statement answer it. The question was raised as to the sincerity of myself or of this party with respect to this matter by the hon. member for Dauphin.

Mr. ZAPLITNY: I am sorry to have to interrupt the hon. member, but that is not a correct interpretation of what I said. There was no question raised as to the sincerity of the leader of the opposition—

Mr. ROSS (Souris): There was of this group.

Mr. ZAPLITNY: I do not think there was even that. All I wanted to know was whether he or Mr. Thorvaldson spoke for the party.

Mr. BRACKEN: If the hon. member had to wait to be told that, he is not half as intelligent as he appears.

With respect to my attitude on this matter, no member who is familiar with the history of the cooperatives in western Canada can have any doubt about it. Let me say briefly that if it had not been for the stand taken by myself and two other men—I happened to be

premier of Manitoba at the time; another was the premier of Saskatchewan and the other was the premier of Alberta—if it had not been for our attitude with respect to saving the cooperatives from destruction in the year 1930 there would not be any western wheat pools to-day. At that time these well-intentioned organizations, trying to serve their farmer members who formed the organizations, had advanced initial payments on hundreds of thousands of bushels of wheat at a time when the price of wheat was rising. If I remember correctly the payments advanced were 60, 70, 80 and eventually 90 cents a bushel. I am just calling on my memory because this was in 1930.

Mr. WEIR: One dollar a bushel.

Mr. BRACKEN: The hon. member for Macdonald says, "one dollar a bushel." The pools advanced that money to the farmers because the price of wheat was considerably higher, but before the crop was sold the price of wheat went down below the amount that had been advanced. These organizations, in order to finance, had borrowed from the banks, which was a legitimate business transaction, the way they were carrying on their business and had given the banks security on their organization for the repayment of the money. The banks saw the danger that was coming and they were taking the position that the grain should be sold before heavier losses were sustained. The three western premiers, feeling that, if a huge crop were dumped on the market, the price of wheat might be driven down to 30, 40 or 50 cents a bushel, went to the banks and said: "Even though you have the power, do not do this. Do not do anything that will cause the market to crash. If now you want to protect yourself and you are afraid, we will guarantee that you will get back the money you lent to these organizations on condition that you undertake not to have this crop thrown on the market."

So the crop was not thrown on the market. The three western governments guaranteed the banks against loss of the money they had advanced to these cooperative organizations. But when the accounting came, the pools got less money for the crop than they had advanced. There were other steps taken, which I need not go into now, and eventually the dominion government was brought into the matter in later years. As I said, the pools had paid the farmers more money than they got for the crop, because in the meantime the price has gone down.

What was the result? I will deal with only one province. The Manitoba pools came into the possession of the Manitoba government because of the guarantee it gave. The Manitoba government could have kept these pool elevators. It could have sold them to private concerns. It could have sold them back to the farmers themselves. What did we do? We did not keep them ourselves. We had had in that province a previous experience with government-owned elevators which was not to the credit of government ownership, although I am not blaming government ownership generally. But the results in that particular case were far from satisfactory.

We did not sell the elevators to private concerns. Everybody was looking to get the elevators at a low price. We sold them back to the original owners—the farmers—on time. They had no money, but we had faith in their integrity, and we sold these elevators back to the men who had owned them before. We sold them back to them, not at the amount we had to pay to rescue them, but at a loss of one and a quarter million dollars, and if the farmers of Manitoba to-day have a cooperative organization know as the Pool Elevator companies, it is because of that act.

While I am telling the story, let me say that the agreement entered into by that organization, as I remember it, was this. It was to pay for the elevators so much a year over twenty years. We had even to help them with their operating expenses. They have lived up not only to the spirit but to the letter of their agreement, and they now have those elevators practically all paid for.

The cooperatives in Manitoba never asked for any favour from me or from the government I led, and we never promised them any. But they expected, and we were always willing to assure them, that they would get a square deal. And now, as the hon. member for Calgary West has said, the job in this house to-day is to find a fair system of taxation of these and other organizations, to find it without discouraging or hurting these organizations, which, as so many members have said, are a splendid acquisition to the economic life of this country. I would not have referred to this personal experience of the past if it had not been for the question raised this afternoon by the hon. member for Dauphin. I do not ask this house to give favours to the pools. I agree with those who say that we must find a system of taxation which by itself will not drive the industry of this country from one kind of economic industry to another. At the same time we must recognize what Doctor Coady said this afternoon, that the pools are not only a great economic organization but

a great social organization, and we in this house must not do anything to discourage their sound development.

Mr. CLEAVER: While I support the cooperatives I think it would be well that all the facts should be brought out, and if it is not going to tax too much our already overworked officials in the department I think it would be helpful if we had on the record the amount of taxes paid by the line elevators during the last five years and an estimate of the volume of business done by the line elevator companies in that period as compared with the volume of business done by the pools.

Mr. ABBOTT: I do not think we can give the information for individual line elevators.

Mr. CLEAVER: I am only asking for the totals, and I am not pressing for it.

Mr. ABBOTT: We will try to get that information along with the information asked for by the leader of the opposition.

Mr. ZAPLITNY: I have a few questions which I think should be answered because they deal with the principle of this matter, and I think this is the proper place for them. Could the minister tell us whether the legislation he has in mind as based on the resolution to be adopted will in any way differentiate between private business and cooperative business?

Mr. ABBOTT: Yes, it will, more particularly with respect to non-member business. My hon. friend will appreciate that the legislation will have a differentiation in that respect.

Mr. ZAPLITNY: The next question is this. I understand that one of the first provisions of the resolution is that section 4 (p) of the Income War Tax Act will be repealed, although it does not say so in those terms?

Mr. ABBOTT: That is correct, and that is what the commission recommend.

Mr. ZAPLITNY: Could the acting minister tell the committee briefly what are the chief reasons why it is proposed to repeal this legislation?

Mr. ABBOTT: The reasons are those given in the report of the McDougall commission and also given by the Minister of Finance in his budget speech, *Hansard,* page 2920, as follows:

The reasons for this recommendation—

That is, that section 4 (p) be repealed.

—are summarized in the report as follows:

"As a result of the ambiguities of language and the difficulty of administering the section, and because we are of the opinion there is no general class or group of cooperative associations in Canada to-day whose income should be declared not to be liable to taxation, we are of the opinion that the section in its present form cannot survive the attacks made upon it."

Mr. BENTLEY: I am not quite satisfied with the reply I got a little while ago, and I also think it might be well if the hon. member for Calgary West had a little bit of a reply, so far as possible, given him to-night to his question. His question was, "What is a cooperative and what is a profit?" This resolution is important because it deals with those two very things.

All through our life in western Canada we were in the low income groups, mostly speaking. Every dollar we had to spend to provide for the needs of our families was important. We endeavoured to deal with the various dealers and concerns which we had to buy our goods from at the place of business where we thought we could get the best services or goods for the least amount of money. We found that this was not working as well as we should have liked. We had learned that in other countries, and even in other parts of Canada, there was a way of doing this, to save ourselves some money by buying collectively, because we felt there were too many middlemen between us and the place where our goods were manufactured, or between us and the product of our labour from the farm and the place where it was finally put into consumable form, that we did not get our full share of the consumer's dollar for our wheat and meat and other farm products, and that we paid far more than the actual cost of manufacture of the goods we had to buy; that there were too many middlemen. Therefore we built these cooperative organizations so that we could pool our money in a collective way, to buy the goods we required with the least use of middlemen or speculators between the makers of these goods and ourselves. We did the same thing in building our marketing organizations. We endeavoured to build by the pooling of our money, not for the sake of interest on the money, but to put the money together to build marketing facilities and a machine which would take a little bit closer, under our own control, our grain and products to the people who were actually going to consume those goods.

That was our purpose. We tried a variety of methods in both the producer and con-

sumer fields, and the dividing line is so thin that some day we may have to debate that point, but I will not do it to-night.

Earlier in the evening I asked the minister a question about the revolving-door fund and how it would be taxed, and when I had finished someone said that I was just as clear about it as the minister, and he did not understand a word. I said I appreciated the compliment. I am sorry if the minister did not understand what I meant, and I am going to try to make it clear to him. He stated that the intention is to tax any increase in a revolving fund. My question was, what place do you decide is the point above which is an increase? I drew up a little table here to show how a revolving fund works, and why I wanted this question answered, and how the minister might answer it.

I am going to assume that we started a cooperative, a consumer cooperative, if you like, in 1940. We operated that year. One man who had a good-sized family and ran a tractor bought his gasoline, drugs, hardware and groceries from that place, and the amount was a thousand dollars. I make it a thousand for the sake of the even figure. The patronage dividend declared at the end of the season was four per cent, which is $40, fifty per cent of which, by agreement with the cooperative is retained, in the revolving-door fund, to revolve back into his pocket after being employed for four years; that is, in the fifth year it would come back. So that in 1940 he put $20 into that reserve. In 1941 business was not quite so good, so that the dividend declared was not quite so high; it was three per cent on the same amount of goods bought by this man. Therefore the dividend at three per cent is $30, half of which stays in, namely, $15, making $35 all told. In 1942, on the same amount of business, but because of fluctuations in cost of operation and so on, the dividend is 3½ per cent; that is $35 on the $1,000, or $17.50 in the revolving fund.

Do you wish to call it eleven o'clock, Mr. Chairman?

Mr. ABBOTT: I wonder if the committee would allow my hon. friend to complete his example, so that I can have the week-end to look it over.

Mr. BENTLEY: It will take me about five minutes. I should like to complete it.

Mr. ABBOTT: It would be helpful to have the statement, so that I may have an opportunity of checking on the matter.

Mr. BENTLEY: I gave the amount in 1942, $17.50. In 1943, the fourth year, the business in the cooperative has been a little better; that is, it has been more efficient in operation, or in some way the dividend is as high as it was in the first year; that is, four per cent again, or $40, fifty per cent of which, or $20, remains in the revolving fund. Added together, this means that in those four years this individual has in the fund $72.50.

Let us now understand the purpose of this fund. It is not for investment purposes; it is his share of the money necessary to provide the facilities and the machinery required to supply him with these goods and services from the shelf, out of the tank, or through the warehouse. He has already paid for these facilities with that. Having served their purpose, they then come back to him from the earnings of the next year, because in that year new members come in and should take a responsible share of financing their share of these facilities which are to serve them, because this is clearly a service organization.

In the fifth year, 1944, the dividends declared on the same amount of money are 4½ per cent, which makes $45. That gives him $22.50. That would be a total of $95 that year. The first year, 1940, revolves, and therefore he gets $20 back. That leaves his fund $75. There has been a variation in the fund of $2.50. This year, having got the first year's back it is $2.50 higher, if my mathematics are correct. Does the minister get the point? It can vary from year to year according to the efficiency of the organization and the ability of the men they hire to operate it and buy the goods that they wish to buy collectively to put there. All the way along, because of the operations, they can increase or decrease the dividends, which will vary from year to year. The point I am getting at is, at what stage does the government's plan say the fund has reached a level from which an increase in the revolving fund is considered to have taken place for taxation purposes? Does the minister get the point?

Mr. ABBOTT: I think I follow my hon. friend, but I would ask if he would allow me to read his statement in *Hansard* and give him an answer later? If the committee wishes to pass the resolution I shall give the answer on the next resolution or at some other time. It would be better if I followed his statement in *Hansard* and gave a considered reply. Will the committee care to pass the resolution?

Some hon. MEMBERS: No.

Resolution stands.

Progress reported.

It being five minutes after 11 o'clock, the house adjourned, without question put, pursuant to standing order.

Monday, July 29, 1946

The house met at eleven o'clock.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

MANUFACTURE OF RAILWAY CARS FOR RUSSIAN GOVERNMENT

Mr. BLACK (Cumberland):

1. Did the government arrange for the manufacture of railway cars for the Russian government with the Eastern Car company and other concerns in Canada?
2. If so (a) what number; (b) at what price; (c) at what point of delivery?
3. Have any such cars been condemned, sold or offered for sale for scrap or other purposes? If so, at what price?
4. What loss, if any, is entailed and who pays same?

Mr. McILRAITH:

1. Yes; under mutual aid board arrangements.

2. (a) 1,500 flat cars. Eastern Car company, New Glasgow, N.S.

700 flat cars. National Steel Car Corp., Hamilton, Ont.

800 flat cars. Canadian Car and Foundry Co. Ltd., Montreal, Que.

(b) Eastern Car company. 1,500 cars including all spares and components—$4,370.29 each.

National Steel Car Corp. Ltd. 700 cars including all spares and components—$4,697.02 each.

Canadian Car and Foundry Co. Ltd. 800 cars including all spares and components—$4,383.99 each.

The basic unit prices on all three contracts were originally established at a firm price of $4,260 per car, including standard spare parts. However, the final prices paid were slightly higher due to the fact that extra spare parts and other components were required on some of the cars as production got under way. The reason for the discrepancy in the final prices paid to the different contractors is due to the fact that some of the cars manufactured by one contractor required more extra spare parts and extra work than did other cars which were produced by the other contractors.

(c) The above prices are all f.o.b. contractor's plants and shipments were consigned to the legation of the U.S.S.R. in Canada, Vancouver, B.C. for transhipment to the U.S.S.R. in Soviet ships.

3. Of the 3,000 flat cars produced, 1,356 units were delivered to the Soviet Union and the balance, 1,644 units, were declared surplus to War Assets corporation by the mutual aid board. The cars are of a type not standard in this country and although offers have been solicited for them as cars on a very wide basis by War Assets corporation, no sale has been consummated to date. Because of the acute shortage of cast iron and steel scrap and the possibility that the cars may ultimately have to be scrapped, an experimental scrapping operation was run on six cars to determine the net scrap recovery and the price which would therefore have to be obtained for the cars as cars to justify the loss of the scrap.

4. As the whole cost of this project was being borne by the Canadian government as a part of mutual aid to the U.S.S.R. any receipts by War Assets corporation from the sale of these cars as cars or as scrap will result in a reduction of the total expenditure made by the Canadian government to assist our ally.

EXCESS PROFITS TAX—REFUNDABLE PORTION

Mr. McCULLOUGH (Assiniboia):

What is the total amount of refundable portion of the excess profit tax payable to Canadian companies for the years 1941-42-43-44-45?

Mr. McCANN:

Tax Year	Estimated Refundable Portion
1941	Nil
1942	$30,000,000
1943	65,000,000
1944	70,000,000
1945	68,000,000
1946	10,000,000

HULL IRON AND STEEL FOUNDRIES—INCOME TAX

Mr. HOMUTH:

1. Does the Hull Iron and Steel Foundries Limited, owe the Income Tax Department any money?
2. If so, how much?
3. Is this sum for the year 1945?
4. If not, what years is it for and what sum for each of such years?

Mr. McCANN:

1. Yes.
2. Not finally determined.
3. Only in part.
4. For the years 1941 to 1946 inclusive.

PENSIONS TO WAR VETERANS

Mr. GRAYDON:

How many service personnel of world war II have been granted pensions?

Mr. TUCKER: Return at June 30, 1946: disability pension, 45,298.

REDCLIFF-RONALANE IRRIGATION PROJECT

Mr. WYLIE:

1. Have any contracts been let in connection with construction on the Redcliff-Ronalane irrigation project in 1946?

2. If so, to whom and when?

Mr. BERTRAND (Laurier):

1. No.

2. See answer to No. 1.

EXPORTS TO CUBA—FISH AND POTATOES

Mr. HATFIELD:

1. What was our total export of fish, with value, to Cuba, each year from 1915 to 1945 inclusive?

2. What was our total export of potatoes, with value, to Cuba, each year from 1915 to 1945 inclusive?

Mr. MacKINNON:

1 and 2. Canadian exports to Cuba of fish and potatoes during each year from 1915 to 1945:—

	Fish		Potatoes	
Year ended Mar 31—	Cwt.	Value	Bush.	Value
1915	72,721	$ 504,691	617,698	$ 382,179
1916	90,732	623,947	326,113	225,875
1917	122,729	1,073,355	997,581	1,226,774
1918	169,751	1,722,612	1,186,707	1,498,108
1919	169,570	2,581,561	732,478	871,743
1920	165,056	2,387,528	510,759	776,964
1921	124,628	1,459,988	578,524	871,933
1922	155,473	1,176,125	1,570,620	1,354,064
1923	105,430	832,767	1,688,207	1,170,591
1924	119,523	843,947	2,144,744	2,030,759
1925	106,014	996,157	2,716,579	2,149,593
1926	112,093	971,937	3,044,477	3,915,513
1927	132,134	973,550	1,915,817	2,855,253
1928	114,994	855,908	2,113,557	2,390,756
1929	92,714	848,661	2,380,902	1,506,516
1930	77,650	720,126	2,003,437	2,081,625
1931	66,797	521,044	1,401,343	1,230,478
1932	34,179	202,564	1,145,704	722,144
1933	17,511	86,938	480,106	329,777
1934	21,248	98,511	359,290	310,981
1935	38,280	225,250	309,896	280,580
1936	47,298	236,206	317,749	297,167
1937	46,911	225,266	399,596	487,981
Year ended Dec. 31—				
1937	41,081	239,980	529,668	503,938
1938	37,854	212,739	302,032	251,568
1939	33,423	170,785	458,333	430,446
1940	30,645	186,360	452,770	459,827
1941	49,485	453,843	375,040	351,094
1942	22,692	301,383	260,195	281,757
1943	26,936	421,764	206,754	342,165
1944	30,311	511,557	285,175	622,099
1945	36,974	573,370	280,180	589,062

RADIO BROADCASTING—C.B.C. CONTRACTS WITH GOVERNMENT DEPARTMENTS OR AGENCIES

Mr. FRASER:

1. Has the Canadian Broadcasting Corporation any contracts with any departments, or agencies, of the government?

2. If so, what are these contracts for?

3. How long do they run?

Mr. McCANN:

1. Yes. The Canadian Broadcasting Corporation has advertising contracts for the wartime prices and trade board, the Department of Agriculture food information committee, and the Department of Labour, entered into on behalf of its own stations and private stations on its networks.

2. Contracts for wartime prices and trade board: "Household Counsellor"; "Ami du Consommateur".

Contracts for Department of Agriculture food information committee: "This Hungry World"; "Partageons avec ceux qui ont faim"; spot announcements.

Contracts for Department of Labour: spot announcements.

3. "Household Counsellor": Monday through Friday, July 1 to October 25, 1946.

"Ami du Consommateur": Monday through Friday, July 15 to November 1, 1946.

"This Hungry World": Thursdays, June 20 to September 12, 1946.

"Partageons avec ceux qui ont faim": Thursdays, June 20 to September 12, 1946.

Spot announcements for Department of Labour, dealing with unemployment insurance in the lumber industry: Six occasions commencing July 26.

Spot announcements for Department of Agriculture: Four occasions commencing July 18.

SALES TAX

Mr. PROBE:

1. On what consumer goods or services does the government levy the 8 per cent excise sales tax?

2. What consumer goods or services are exempt from payment of the 8 per cent excise sales tax?

3. What revenue was derived by the government for each of the goods or services enumerated in question 1 above in each of the three past fiscal years?

Mr. McCANN:

1. The Special War Revenue Act imposes the sales tax on all goods produced and sold for consumption or imported into Canada. Services are not subject to this tax.

2. Those goods specifically enumerated in the exempting sections of the act, particularly schedule III.

3. No segregation of the yield of sales tax from any commodity is made. The total revenue derived from this tax for the past three fiscal years was as follows:—

1943-44, $339,255,631; 1944-45, $401,108,503; 1945-46, $326,252,798.

ST. MARY-MILK RIVER IRRIGATION PROJECT

Mr. WYLIE:

1. What steps have been taken by the government to proceed with the construction of the irrigation project on the St. Mary-Milk river, during 1946?

2. Have contracts been let?

3. If so, to whom and at what figure?

Mr. BERTRAND (Laurier):

1. Headquarters have been established, arrangements for power have been made, acquisition of necessary lands is in progress and a contract for the irrigation and diversion tunnels has been let.

2. See answer to No. 1.

3. To Bennett and White Calgary Limited: $798,916.

IMMIGRATION—MEDICAL INSPECTION DEPOTS IN EUROPE

Mr. THATCHER:

1. In what European countries does the immigration department maintain medical inspection depots at the present time?

2. What steps have been taken by the immigration department to set up additional depots?

3. At what points will these new medical depots be located?

Mr. GLEN:

1. There are no Canadian immigration medical officers located in continental European countries at the present time.

2. The matter is under active survey and the governments concerned are being consulted.

3. Decision cannot be made until action referred to in No. 2 above is completed.

UNITED NATIONS—EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION

Mr. KNIGHT:

What action has the government taken towards (a) the ratification of the charter for UNESCO; (b) the setting up of a national commission or committee to act as an agency of liaison between the Canadian government and the main body of UNESCO?

Mr. ST. LAURENT:

(a) If time permits during the present session of parliament a resolution will be introduced in parliament for approval of Canadian participation in UNESCO. Following upon such approval acceptance of the constitution of UNESCO will be completed.

(b) For some time past the government has been considering the form a UNESCO national commission might take in this country. It is not expected that such a national commission would act as "an agency of liaison between the Canadian government and the main body of UNESCO" but rather it would assist the government in dealing with matters relating to the activities of UNESCO.

CANADIAN PACIFIC RAILWAY COMPANY—CLAIM OF DENNIS H. SAUVE

Mr. MATTHEWS (Kootenay East):

1. Did the crown sue the Canadian Pacific Railway company to recover damages as a result of injuries sustained in 1940 by Dennis H. Sauve, K37496, a Canadian soldier when travelling to Vancouver over the Kettle Valley line?

2. Was this claim settled out of court?

3. How much did the crown accept in settlement of this claim?

Mr. LAPOINTE:

1. Yes.

2. Yes.

3. $300.

*VIOLATION OF ALTERNATIVE SERVICE REGULATIONS

Mr. COLDWELL:

How many men are now serving prison terms for violation of alternative service regulations?

Mr. MITCHELL: None.

QUESTIONS PASSED AS ORDERS FOR RETURNS

TRANS-CANADA HIGHWAY

Mr. PROBE:

1. What mileage of Trans-Canada highway is now completed and hardsurfaced (a) in Canada; (b) in each of the provinces?

2. What mileage of the Trans-Canada highway still remains incomplete (a) in Canada; (b) in each of the provinces?

3. What contracts for construction work on the Trans-Canada highway have been entered into by the federal government in the fiscal year 1946-47 in each of the provinces?

4. What financial grants have been made by the dominion government for highway construction of any nature in 1944, 1945, 1946, in each province?

INDIAN RESERVATIONS

Mr. GRAYDON:

1. How many Indian reservations are there in Canada?

2. Where is each located?

3. How many Canadian Indians are (a) in reservations; (b) outside reservations?

Mr. GLEN: Return tabled.

VETERANS LAND ACT—OXFORD COUNTY, ONTARIO

Mr. DANIEL:

1. How many farms have been purchased in Oxford County, Ontario, under the Veterans Land Act?

2. Where are these farms located, when and from whom were they purchased?

3. What are the names of the veterans now established on these farms?

VETERANS LAND ACT—INGERSOLL, ONTARIO

Mr. DANIEL:

1. How many houses are being constructed under the Veterans Land Act at Ingersoll, Ontario, in the township of West Oxford?

2. Who has the contract for the building of these houses?

3. How soon will these houses be ready for occupancy?

4. What does it cost to guard these houses while they are under construction?

5. What is the average cost of each house?

6. From whom was this land purchased and what was the price per acre paid?

Mr. MACKENZIE: Order for return.

Mr. TUCKER: With the exception that the figures will not be given in regard to the prices paid.

[Mr. Lapointe.]

WAR ASSETS—FAIRMILES AND CORVETTES

Mr. FRASER:

1. What Fairmiles and corvettes have been declared surplus by the navy?

2. What equipment was on each of these boats at the time they were declared surplus?

3. What inventory of equipment was received by the War Assets Corporation regarding each of these boats?

WAR VETERANS—YUKON TERRITORY

Mr. BLACK (Yukon):

1. Are war veterans of Yukon Territory entitled to financial assistance from the government of Canada in purchasing lots in towns in Yukon and in the construction of homes thereon for their families and themselves?

2. If so, from what department of government, in what amounts and on what terms?

MOTIONS FOR PAPERS

OFFICIAL SECRETS ACT—DOCTOR DAVID SHUGAR

Mr. DIEFENBAKER:

For a copy of transcript of evidence given by Doctor David Shugar before the royal commission appointed under order in council P.C. 411, and including therein any observations or statements made by the commissioners.

Mr. ST. LAURENT: Mr. Speaker, I am sorry to have to oppose this motion. The following is from page 689 of the Report of the Taschereau-Kellock royal commission:

We respectfully recommend:

(1) That, because of the introduction into the evidence, necessarily and unavoidably of secret technical data, the publication of which, according to the witnesses most concerned, would not be in the public interest at this time, none of the evidence or exhibits relating to any top secret, secret, restricted or confidential matters be published except with the approval of the government in consultation with the heads of the services, departments or organizations concerned.

The motion of the hon. member is for all the evidence of one Doctor Shugar before the royal commission. I have not read the whole of the evidence, but I have read enough of it to find that it does refer to and discuss matters which come within the terms of that recommendation of the royal commission, and which it would be against the public interest to publish at this time. The matters which I noticed particularly were those having relation to scientific apparatus called asdic and radar.

Mr. DIEFENBAKER: Mr. Speaker, in view of my right hon. friend's explanation, I must necessarily accept the decision made. But there is one thing—and I speak with the consent of the house and Your Honour—that strikes me as most improper in the report of the royal commission. It is this, as it appears at page 683 of that report:

While it is sitting, and until its existence terminates, it is not subordinate to any body.

That is a serious thing, particularly in view of the fact that this commission saw fit to publish part of the evidence condemning certain persons, unheard; and when those who are placed under suspicion ask for the opportunity to let the people of Canada know what they said, and in respect of which guilt was fixed on them, unheard, the answer is that it is not in the public interest to give the information. That is a very serious invasion of private rights in this country.

Mr. COLDWELL: May I suggest to the minister that many of us are much disturbed about this matter. Could not a small committee of the house be set up on the understanding that any reading of the evidence would be regarded by them as confidential, so far as the safety of the country is concerned?

Mr. ST. LAURENT: I have no objection to the evidence given by Doctor Shugar being made available to a small committee, provided of course the members of that committee would say that they would not use the information they would gain from a perusal of the evidence, or that they would not themselves publish the information which they might have gained through such perusal. I understand that it will be rather difficult to draw a line. If some hon. members differed from us on the question whether the making of certain things known would endanger the safety of the state, it would be difficult to discuss such disagreement without referring to what is in the evidence. However, if the leaders wish to have a small committee join with me to go over it, I should have no objection.

Mr. DIEFENBAKER: If I might make reference to what has been said by the hon. member for Rosetown-Biggar (Mr. Coldwell), I would not agree to a committee laying secrecy on top of secrecy.

Mr. COLDWELL: What about a royal commission?

Motion dropped.

UNEMPLOYMENT INSURANCE COMMISSION—RESIGNATION OF CHIEF COMMISSIONER

Mr. DUBOIS:

For a copy of all letters, telegrams and other documents in the possession of the department relative to the resignation of Louis J. Trottier, chief commissioner of the unemployment insurance commission.

Mr. MITCHELL: I have already tabled the documents referred to in this motion, and I suggest that it be dropped.

Motion dropped.

LABOUR CONDITIONS

TYPOGRAPHICAL UNION—VANCOUVER "PROVINCE"

On the orders of the day:

Mr. STANLEY KNOWLES (Winnipeg North Centre): I should like to ask a question of the Minister of Labour, of which I was unable to give him notice, but which I am sure he will be in a position to answer. Has he taken steps to implement the report of the industrial disputes inquiry commission which looked into the dispute between the Vancouver *Province* and the international typographical union?

Mr. MITCHELL: I believe I received the report on Friday. Steps have been taken by myself to endeavour to bring the parties together.

Mr. KNOWLES: The minister's statement refers to the principal parties suggested in the report.

Mr. MITCHELL: Yes.

IMMIGRATION

ADMISSION TO CANADA OF MEMBERS OF POLISH ARMY—WIVES OF SERVICE PERSONNEL

On the orders of the day:

Mr. G. K. FRASER (Peterborough West): Mr. Speaker, I should like to ask a question of the Minister of Justice respecting a matter discussed last Thursday. Will the Dutch and Belgian wives and fiancees of service and ex-service men be given priority over the 4,000 Polish army men to be admitted to Canada?

Right Hon. L. S. St. LAURENT (Acting Prime Minister): That is a question I cannot answer. The arrangements to bring to Canada 4,000 Polish ex-service men are being made by the United Kingdom government and the Canadian government, in cooperation. Some of the men are to be brought directly from Italy to a Canadian port. I cannot say in what way that might clash with the movement of wives or dependents of our own army personnel.

Mr. FRASER: I should like to ask the Minister of Mines and Resources if the transportation to Canada from Holland and Belgium of the wives and fiancees of ex-service men has been held up because the immigration branch has not had officers over there. I understand officers are being sent from Canada to those countries. Will these wives and fiancees now be given priority?

Hon. J. A. GLEN (Minister of Mines and Resources): I shall take note of the hon. member's question and answer it to-morrow.

WAR ASSETS

AVAILABILITY OF DREDGING EQUIPMENT FOR EMERGENCY PURPOSES

On the orders of the day:

Mr. C. E. DESMOND (Kent, Ont.): Mr. Speaker, I should like to ask a question of the Minister of Reconstruction. Would it be possible on priority if that can be obtained, to procure dredging equipment, if it is available, prior to its being turned over to War Assets corporation?

Right Hon. C. D. HOWE (Minister of Reconstruction): I did not understand what kind of equipment the hon. member referred to.

Mr. DESMOND: Emergency dredging and drag-line equipment.

Mr. HOWE: I presume that this equipment is owned by some department of government. It might be possible to borrow it to meet an emergency, but the sales of any war equipment can only be through War Assets corporation.

Mr. DESMOND: I have been given to understand that if there were a priority to meet an emergency it would be possible to release such equipment for use prior to its being placed in the hands of War Assets corporation.

Mr. HOWE: As I have said, the present custodian of the equipment might be able to release or to lend it. But if a sale is contemplated, it must be made by War Assets corporation in due course.

WHEAT

INITIAL PAYMENT AND DOMESTIC PRICE

On the orders of the day:

Mr. JOHN BRACKEN (Leader of the Opposition): I should like to direct a question to the Minister of Trade and Commerce. When answering a question the other day from this side of the house the minister indicated that he would be making a further statement with respect to the initial payment for wheat and possibly the domestic price for wheat. Can he now say when he will be able to make that statement.

Hon. J. A. MacKINNON (Minister of Trade and Commerce): It must be made before Wednesday.

Mr. BRACKEN: That means to-morrow.

Mr. MacKINNON: Yes.

[Mr. Glen.]

ATOMIC ENERGY

PUBLIC CONTROL AND SUPERVISION OF DEVELOPMENT, APPLICATION AND USE—CONCURRENCE IN SENATE AMENDMENTS

Right Hon. C. D. HOWE (Minister of Reconstruction and Supply) moved the second reading of and concurrence in amendments made by the senate to bill No. 165, relating to the development and control of atomic energy.

Mr. GREEN: Explain.

Mr. MacINNIS: Has the minister a statement to make on the amendment? Is there anything that he disagrees with?

Mr. HOWE: The amendments are purely in connection with language. There has been no change in the intent of the bill, and therefore I am quite prepared to move concurrence.

Motion agreed to; amendments read the second time and concurred in.

NATIONAL HOUSING ACT

AMENDMENT AS TO LOAN PROVISIONS—CENTRAL MORTGAGE AND HOUSING CORPORATION

Right Hon. C. D. HOWE (Minister of Reconstruction and Supply) moved the second reading of bill No. 306, to amend the National Housing Act, 1944.

He said: Mr. Speaker, in moving the second reading of this bill, I would like to comment upon the amendments to the National Housing Act which we seek at this time. The bill itself is rather voluminous. However, the real changes are fewer than would appear.

Hon. members will recall that at the last session of parliament the Central Mortgage and Housing Corporation Act was passed. The act provides under section 18:

> The Corporation shall, on behalf of His Majesty and in the place of the minister, have, exercise and perform all rights, powers, duties, liabilities and functions of the minister under the housing acts or under any contract entered into under the said acts, except the authority of the minister under the said acts to pay moneys out of the consolidated revenue fund, or under section twelve of the National Housing Act, 1944, to make grants for slum clearance.

This bill contains thirty-eight clauses, of which twenty-six clauses make no substantial change to the National Housing Act other than to give effect to this transfer of authority which I have just described. I do not think hon. members will wish me to review each one of these twenty-six clauses, particularly as they do not involve any change in principle or policy. I will, therefore, limit my remarks to

an explanation of the other twelve clauses of the bill, which in varying degree, affect the operations of the act.

I will deal first with clause 2 which deletes, from the definition of the cost of construction, the proviso that in the case of a loan for the construction of a house on a farm, the appraised value of the land shall be deemed to be not more than 20 per cent of the actual expenditure and other expenses and charges. This deletion is desirable to make the definition of cost of construction conform to a subsequent amendment changing the basis for loans for farm housing.

Clause 3 of the bill redefines economic rental of a family housing unit. No change in principle is involved, and the purpose of the amendment is to clarify the intent of the definition.

Similarly clause 4 clarifies the meaning of the definition of housing project. We wish to make it clear that in the case of a rental housing project, buildings other than houses necessary to a planned development may be included in the lending value.

Clause 5 of the bill introduces an amendment to the definition of a metropolitan area. "Metropolitan area" is now defined as a city together with one or more adjacent municipalities in the same province. We wish to delete the phrase "in the same province" which serves no useful purpose. The adjacency of Ottawa and Hull is the main reason for this change. This clause also redefines the "minister" as the "Minister of Reconstruction and Supply" instead of the "Minister of Finance". When speaking on the resolution I outlined the administrative changes which had taken place.

The change contemplated by clause 7, besides replacing "minister" by "corporation" is rearrangement of order and involves no change in principle. This clause was previously contained in the section dealing particularly with farm housing, whereas the travelling expenses allowed to lending institutions are equally applicable to other joint loans. We feel that it would be more logical and would avoid confusion if this section formed a part of section 3 of the Act.

Clause 8 provides for the heading of part I, "Housing for home owners" to follow rather than to precede section 3, because section 3 has application not only to loans for home owners, but also to housing for rental purposes and farm housing.

Clause 9 widens the scope of the operations of the National Housing Act in that the corporation will be given authority to make loans on houses where the owner has a leasehold interest in the land. At present it is not possible to make a National Housing Act loan in our national park areas. The Department of Mines and Resources quite properly is unwilling to sell land to a prospective home owner in our national parks. However, they are willing to grant a lease for a satisfactory term. I think hon. members will agree that it is desirable for the terms of the National Housing Act to be available in such areas as Banff and Jasper. It is not the intention to use this authority, if granted, to promote National Housing Act loans on leasehold land in urban areas. In most cases the crown in right of Canada or in right of the provinces will be the owner of the land. Consideration has been given to qualifying for National Housing Act loans only leasehold land owned by the dominion or the provinces. It may well prove to be the case that it will be desirable to finance housing on leasehold land owned by individuals who are willing to arrange leases of sufficient term and under conditions which adequately safeguard the interests of His Majesty as mortgagee.

Clause 10 defines the type of security to be taken with leasehold property. It is complementary to Clause 9.

Clause 10 also provides for loans to home owners for a period of twenty-five years instead of twenty years as at present. It also provides that in areas adequately planned the loan may be made for a term of thirty years. When speaking to the resolution I dealt rather fully with the reasons for this change. I would like to repeat that the increased costs of construction have resulted in larger loans. The veteran is faced with heavier monthly repayments on the larger loan. We feel that under the present system of lending, there is no great risk incurred by increasing the term of amortization to twenty-five years. Monthly payments of principal, interest and one-twelfth of the annual taxes afford a large measure of protection. It is interesting to note that under the National Housing Act in the United States, the most usual term of loan is twenty-five years. It is to be remembered that the period of risk is not the period of amortization. For instance, in the case of a twenty year loan, 50 per cent has been repaid in twelve years. In the case of a twenty-five year loan, 50 per cent of the loan has been repaid in sixteen years. Generally I believe that when about one-half of the original loan has been repaid, the mortgage is well out of the risk area, not only because of reduced amount owing, but also because of the long record of payment by the borrower. We intend to apply the extra five years of amortization particularly to types of housing which we wish to encourage. For example, we feel that the extremely small four

room bungalows of some seven hundred square feet are not the type of construction which should be encouraged by a loan with longer amortization. We would prefer for the same home owner to arrange a larger mortgage with the longer amortization on a one and a half storey six room house even if the upper two rooms are not finshed until a later date. Extra financing of 13·9 per cent can be made available with longer amortization without increasing the monthly payments of principal and interest. It would be our intention to apply the twenty-five year amortization basis only to the more desirable classes of property which we wish to encourage.

Clause 13 introduces a new section—section 4A—to give authority to the corporation to enter into agreements to safeguard the interests of His Majesty in loans on leasehold land.

Hon. members will recall that in the War Measures Act provision was made by order in council for housing under the integrated plan. In my remarks upon the resolution I reviewed operations under this plan and indicated its terms and conditions. We feel that the integrated plan, which this year will produce some two or three thousand units, lends promise of even greater development next year. We feel that the plan is admirably suited for the best interests of the owner, builder and the government. It is affording control upon the sale price of new houses; it is assuring that materials are channeled into veterans' housing. Clause 13 also gives authority to the corporation to continue with this plan after the order in council is repealed. It will also be noted that provision is made for the appropriations already voted for loans and losses under part I to be used to finance loans under the integrated plan.

Under clause 14 a change is made to section 6 (1) of the National Housing Act. Hon. members will notice this subsection gives authority to determine the amount of the loss in respect of a loan under part I. It is quite evident that the intention of this subsection was to give authority for determining losses under all parts of the act. The amendment which I propose gives effect to this intention.

This clause also introduces two new subsections, 6(3) and 6(4). Subsection 3 is necessary to carry out the powers given in respect of the integrated housing plan when it becomes necessary to purchase a house which, under the integrated agreement, the builder may require the corporation to buy. Subsection 4 provides for the funds to make these purchases out of the appropriation provided by section 7 of part I.

[Mr. Howe.]

It will be noted that clause 14 rearranges the manner in which regulations are made for the administrative functions of parts I and III of the act. No very great change in principle is involved, but now that the corporation is taking over the main administrative duties in operating the act, it is felt that the revision proposed will be more practical. The governor in council will continue to make regulations on these administrative matters where necessary, but it will be noticed that the new section 5(2) of the act provides that the corporation may prescribe procedural matters in connection with an application for a loan, the calculation of the cost of construction, standards, and whether it is desirable to take additional security.

Clause 15 substitutes the corporation for the minister, but makes no change in the length of amortization for rental housing comparable to the lengthening of the amortization period we seek for home owners. Section 8(2) of the National Housing Act provides for a term of loan for rental housing not in excess of twenty years. Where the project is protected by community planning and appropriate zoning, the loan may be for a period not in excess of twenty-five years. Although we would like to see an increased amount of rental housing, we do not believe that lengthening the amortization period will have that effect. We believe that it is not advisable to make any change in this section at this time.

Clause 15 introduces additional lending facilities under new section 9A of the National Housing Act which I reviewed when speaking to the resolution. We are in very short supply of housing in outlying areas. This is particularly true in mining and lumbering communities. From all points of view it would be desirable for on-site operations of lumbering and mining companies to employ a larger number of men, and particularly married men. The day of the bunk house is over, even for single men. Mining and lumbering companies are having difficulties in inducing married men to enter their employ because of the impossibility of bringing their families with them. We feel that every encouragement should be given to the development of family housing units in outlying areas, particularly adjacent to on-site operations of the lumbering and mining compaines. The type of housing will vary according to location. It will range all the way from temporary housing units on skids to fully modern permanent houses. The development of such programme is hampered by the lack of materials. It is also restricted by lack of financing facilities. Loans on this type of security are almost a blind spot in our credit

structure. In many cases they are so remote or are located in such unmortgagable property that the mortgage lending institutions cannot provide financing. The capital investment for a substantial number of units places too great a strain upon the working capital position of the lumbering or mining company. Bank loans, besides being a demand obligation and current liability of the lumbering and mining company, are generally made with terms of repayment which provide too short a period to be appropriate for housing units, particularly when the company is depending upon the rentals from such housing units to provide the cash to liquidate the loan. The proposed amendment outlines in detail the type of loan which we propose. The main features are:

1. The loans are made to, or are guaranteed by, the lumbering or mining company.

2. The term of amortization may be as long as fifteen years.

3. The rate of interest is 4 per cent.

4. The company cannot earn on its investment in the housing project more than the 4 per cent interest rate. Any current surplus must be used for a rent reduction fund. Should an equity exist after the loan is repaid, and the company has recovered its investment with not more than the 4 per cent interest, the value of the residue shall be used for charitable purposes or community benefits.

5. Minimum standards for this type of housing will be very flexible because the type of housing, the locality, and the needs will vary greatly.

6. The maximum loan will be 80 per cent of the lending value, although in many cases I think that the loans will be considerably less than 80 per cent.

7. Provision is made for the sale of such houses by the company to home owners. In such cases the company will remain on the covenant of the mortgage even for that portion which has been sold to a home owner. Provision will be made that if the home owner's account is current, default in the blanket mortgage will not prejudice his position.

8. The corporation, before recommending a loan for approval by the governor in council, will satisfy itself through inquiry to other government departments that the area in which the housing is to be erected has a productive period sufficient to justify the loan, and that the proposed housing is necessary in the area, and generally will result in additional employment.

I feel that this proposal will be a very valuable addition to the lending facilities under the National Housing Act. Many lumbering and mining companies are interested in housing and willing to do something about it. In most cases that have been brought to our attention, the obstacle has been a lack of suitable financing even more than the lack of materials. I would hope that it might be possible for prefabricated housing to be used for this purpose, particularly in areas where on-site skilled building labour is very scarce. In my opinion, the proposed amendment is the most efficient, cheapest and expeditious manner of meeting a very real need.

Clause 15 puts in statutory form the home conversion plan as new section 9B. There is only a modest amount in the estimates for additional development of the home conversion plan because it is not likely that many projects will be undertaken during this fiscal year. Materials are in short supply, costs are high, the number of houses suitable for conversion under the plan are few, and even those houses which are suitable cannot, in most cases, be vacated to allow the conversion to take place. As I mentioned in my remarks on the resolution, there are two hundred and sixty properties which have been converted, creating some twenty-one hundred units. It is our intention to repeal the orders in council under which this plan was authorized. We seek this new section of the National Housing Act because the corporation must continue to hold, operate and manage existing properties. Moreover, we would like to be in a position to convert any buildings suitable for the purpose, few in number though they may be.

Clause 15 also reenacts section 10 of the act, which gives the governor in council power to make regulations for rental housing. The changes proposed for new section 10 of the National Housing Act are similar to those that I described earlier for new section 5 of the National Housing Act which provides for the same type of regulation for housing for home owners.

Clause 17 of the bill proposes a modification to the authority already granted to the insurance companies to make direct investments in low or moderate rental property. It will be remembered that such investments when approved by the corporation, are subject to a guarantee by the government ensuring a 2½ per cent return to the insurance company. The insurance companies may invest up to 5 per cent of their Canadian assets under section 11.

Some of the insurance companies are showing great interest in this form of investment and would like to develop in Canada projects similar to those of the Metropolitan Life in the United States such as the Parkchester multiple unit development in New York and the

horizontal developments in other communities. In light of our very great need for housing of this type, I am sure that the house will commend our efforts to stimulate the interest of the insurance companies in this field of endeavour.

We believe that section 11 is satisfactory in its present form, except for one factor. The first step towards the development of projects either individually or on a national basis is the acquisition of land suitable for the purpose. Experience both in Canada and the United States has shown that this must be done some time before the project can be determined in final form. In order to secure land at a reasonable price, some degree of secrecy must be maintained. In some cases this can be achieved by securing options, in other cases, the land must be purchased. It would be most inadvisable to secure firm bids for construction from a number of contractors while the acquisition of the site was still under negotiation. Some companies are anxious to plan on a national basis, and for various reasons do not wish to proceed with all projects simultaneously. Opportunities to secure very desirable sites arise from time to time and it would be desirable for the companies to be in a position to acquire land which would be developed over the next two or three years.

The legislation in its present form makes such investment legal for life companies—including the purchase of the land or an option—only when the corporation has approved the project in all detail including the cost of land, the cost of construction, design, lay-out, rental levels, etc. The existing section contemplates simultaneous acquisition of land and approval of the project including the cost of construction. This is not only impracticable but also increases the cost of the project and makes an orderly two or three year programme virtually impossible. Even if the land is acquired and the project approved in the same year, and listing the land as an asset in the annual statement of the company is not involved. No authority exists. There is provision in the insurance laws of the state of New York to allow an orderly approach to the problem.

Therefore, with the concurrence of my colleague, the Minister of Finance, I propose this amendment making it possible with suitable safeguards such as prior approval by the corporation, for life companies to acquire or option land suitable for such purpose. The corporation will, at the time approval is given, ensure that:

[Mr. Howe.]

(a) The land is suitable and that the corporation will be willing to approve the project on the land at a later date.

(b) Only land within the over-all plans of the life company for projects will be approved for purchase.

(c) The amount of land so purchased will not be greater than can be developed within the limitation of 5 per cent of Canadian assets of the company. Roughly, the maximum purchases allowed will be one half of one per cent of the company's Canadian assets.

(d) The project will proceed within a reasonable period of time and there are no speculative influences in the purchase.

Inside land and even serviced land in residential fringe areas is not plentiful. We must ensure that too much of such land is not acquired for development by life companies in the distant future to the detriment and disadvantage of others who wish to erect residential property on the land in the near future.

Under this section, the guarantee to the life companies only becomes effective after the project has been approved by the corporation and construction commences. Land held for a future project is not revenue producing and it would be inappropriate for any guarantee of interest return to be applicable. We propose, that when determining the cost of construction at the time the project is approved, to include the cost of land previously acquired and to allow, as an addition to such cost, the taxes paid less any net revenue from the use of the land. We will not consider as part of the cost of construction interest on the cost of the land from the date of acquisition to the time the project is started.

Clause 19 repeals section 14 of the act and substitutes a new section providing for financing new farm housing. The existing provisions have not worked well. Except where a lending institution, willing to make the loan on the new house, is the existing mortgagee, no provision is made for refinancing an existing encumbrance. Even under such circumstances and in all other cases, the section contemplates farm land as one part, and the farm home another part of the farm. Financing has been difficult under such provisions and no loans have been made.

The amendment now proposed authorizes loans up to $5,000, the cost of the farm house or two-thirds of the appraised value of the farm, whichever is the least. If the farm is mortgaged, refinancing can take place so that the loan may be $8,000, the cost of the house and amount to repay the existing mortgage, or two-thirds of the appraised value of the

farm whichever is the least. The interest is 4½ per cent and the term of the loan twenty years.

The method of appraisal has been revised and is comparable to the method used in regular farm lending. It will be noted that where sufficient equity in the farm land exists, the equity in the new farm home can be financed by that means.

Revision of minimum standards and specifications will take place. Suitable flexible requirements will be devised to ensure that sound standards of construction will be reconciled with varying local conditions and requirements.

We will try to convince the lending institutions to enter into an agreement with the corporation to make loans under this section. We wish to avoid blind spots in coverage such as we have had in the past. Although the mortgage companies are not wildly enthusiastic about farm loans at the moment, I believe they, like ourselves, are anxious to see that the facilities of the act are available to all Canadians. Their cooperation under the recent arrangement to make non-farm National Housing Act loans in the smaller outlying communities is evidence of this desire.

Hon. members will immediately recognize that this change puts the corporation into the farm loan business. This is deliberate because a farm home is an inseparable part of the farm. If we mean business in promoting and financing new farm housing the loans cannot follow an urban pattern. We prefer the principle of joint loans with a lending institution in the pattern of the National Housing Act rather than direct loans in the manner of the Canadian farm loan board. I therefore propose the amendment on that basis and expect that it will be effective. Should I be wrong, other techniques will be found because, although we like the proposed joint loan approach, the important end result is success in making these facilities available to farmers throughout the country.

I propose that this section come into force upon proclamation. Agreements with lending institutions must be worked out. Forms of joint mortgages for each province must be determined and in this respect we intend to break some new ground especially in the case of grain-growing farms. The old form of mortgage, together with a crop share lease, was not good enough even twenty years ago. We have no intention of imposing default on all housing act borrowers within an area just because there happens to be a general crop failure in that area. We will want full rights of collection from borrowers able to pay and will insist upon an adequate escape clause to postpone amounts owing by the borrower when, due to conditions beyond his control, he is unable to pay. Towards this end we will be consulting with the provinces so that their legislation, protective and otherwise, will fit National Housing Act farm mortgage deeds. This will take time and it is not likely that this section can be proclaimed for two or three months.

There are in this house a number of hon. members very familiar with the need for farm housing and who have had experience in the farm mortgage field. When we come to discuss the bill, section by section, I will welcome their comments. I think that this section is based on sound principles and will prove effective. Nevertheless, I am ready to accept suggestions for its improvement. It is an important section in light of the need of new and improved housing in the farm field in the years to come.

This, Mr. Speaker, has been a rather lengthy review of the major changes which we propose in the National Housing Act. I have attempted to touch upon each change of major import and principle. As we go through the bill clause by clause, hon. members will have the opportunity of asking questions about changes which I have not specifically mentioned today.

There is one change which might have been included in my remarks. The act in its present form gives authority for loans for a maximum number of years. Take for example, a loan under part I for twenty years with the first of the progress payments being made on January 1, 1946. Mortgage practice and convenience results in mortgage deed being drawn in a form that the borrower makes the first of his two hundred and forty monthly payments on, say, May 1, being a month or two after the completion of the house. Technically it might be argued that authority under the act only allows a loan to run until January 1, 1966. Changes are included in the present amendments to allow the period of the loan to run from the date of the completion of the house rather than from the date of the first advance.

I would like to call hon. members' attention to the fact that although "corporation" has been substituted for "minister" throughout the act, no change has been made in the sections dealing with appropriations. We propose to rely on relevant clauses in the Central Mortgage and Housing Corporation Act which authorize the minister to advance moneys from the appropriations to the corporation for the purposes of the act.

Mr. C. C. I. MERRITT (Vancouver-Burrard): Mr. Speaker, the bill and the important statement which the minister made on the resolution stage are a new departure in the handling of the housing shortage in this country. They indicate to me something which I am sure everyone in the house and in the country will be very glad to hear—that the government has at last come to grips with the number one problem in the country, the housing of our people, and particularly of the returned men who obviously are bearing the brunt of the housing shortage. But at the same time, and while we welcome this evidence that the government has come to grips with the problem, surely that statement and this bill emphasize the previous lack of government policy in connection with this great problem. Surely the measures proposed by the minister and the things he has done in the last few months are proof of the government's failure to face a situation which has now prevailed in acute form for a year. And surely it shows that their attitude has been a passive waiting for improvement rather than an active attempt to deal with the matter.

The chief criticism that one can make of the statement and of the bill is that very simple one, and I submit, Mr. Speaker, it is a telling one too—that the bill is exactly a year late. This bill, and the appointment of the expediter of building materials and the concentration of housing activities under one minister, should have been brought into force at the last session of the last parliament, just before the end of the war, when victory was in sight. The need was apparent then, and plans should have been laid then. Had that been done, we would not have had the minister's statement the other day that the worst is yet to come, and his estimate that in the spring of 1947 the situation will be twenty per cent worse than it is now. I suggest that the "grin and bear it" stuff that the minister has given to the house would have been acceptable last year. The Canadian people would have realized the difficulties and, with such proposals as the minister is making now, and knowing that something was being done about it, they would have been willing last year to face a worsening of the situation in the spring of 1946 and to "grin and bear it." But this year the Canadian people will not find such a statement in any way acceptable. They will, I believe, look upon it as a confession of failure on the part of the government.

Having made that criticism, I want to refer to some of the good parts of this proposal, not only the bill but the executive measures which the minister has taken. There are, apart from some very proper developments, and, I might say, modernization of the procedure under the National Housing Act, five most important new departures which the minister has taken.

First of all, housing has been centralized under one minister, where it should always have been.

Second, we have a full-time executive charged apparently with the development of over-all policy; and it is my understanding that that wholetime executive is a very able man indeed.

Third, we have what we obviously needed for many months—for a whole year—and that is an expediter of building materials. This, I understand, is to be one of the functions of the coordinator of housing. In addition we have the committee that the minister has mentioned, set up to deal with the building material problem. He tells us that progress has been made, and we are very glad indeed to hear it.

Fourth, and very important, the National Housing Act has been redesigned to meet Canada's particular needs. I think it is right to say that prior to the amendment proposed by the minister with regard to loans for farms and for the housing of the people engaged in mining and logging—three of our great primary industries—the National Housing Act was a mere copy of the procedure in the United States and in Great Britain, and had not been orientated to suit the particular Canadian need. This has now been done, and it is a very welcome advance.

Fifth, in the minister's statement with regard to the increase of the lending value under the National Housing Act, and also in the extension of the amortization period under the act, we have further evidence of improvement which will be very much welcomed.

All these particular matters can be dealt with when we come to the sections of the bill, when no doubt many hon. members will have improvements to suggest even beyond what the minister has proposed. But the point I want to make now with respect to these five important new departures in housing practice is this. All five new departures are simple; all five are practical; all five are obvious, and all five were urged from this side of the house during the last session of parliament and no doubt before that. The members of the opposition cannot take any particular credit for suggesting such obvious advances; but what we can take credit for, and what heightens my previous statement about the delay of the government in dealing with the housing problem, is that we did recognize that all these steps should have been taken immedi-

ately, and not a year after the close of hostilities. We urged that these steps should be taken at once, but that was not done.

The minister has made some great improvements, but of course there will be very much more to do after the present emergency has somewhat settled down. I can suggest to him three rather important things he will have to do in his capacity as the minister responsible for the housing policy of the country. First of all, we will require a real low rent housing policy. Such a term is used in the act now; we talk of moderate rent housing and low rent housing, but what we have now is not low rent housing in the sense that it caters to families in the bottom third of the income brackets.

In the second place a great programme of slum clearance will have to be developed over the years. In connection with these two subjects particularly there is real need for a settlement and a definition of the relative responsibilities of the dominion, the provinces and the municipalities with respect to housing. I urge upon the minister that he lose no time in holding conversations with the provincial governments and representatives of the municipalities so that a plan may be agreed upon for a division of responsibility which will suit all those bodies and which will give us a housing policy with as little red tape and friction as possible.

The fourth point I want to suggest to him, and this is the immediate matter I wish to bring to his attention, is that there should be at once an upward revision of the targets he has set for the construction of houses in Canada and for the provision of building materials. What has the minister said with regard to the targets for the construction of homes? He has given the immediate over-all need as 150,000. That, of course, is the emergency need. According to the James report on housing, the actual need over the next ten years, as hon. members will recall, is some 730,000 houses. Then the minister said that in the spring of 1947, despite all efforts being made by the industry this year, the situation will have deteriorated so there will be an immediate need, an emergency need, for 180,000 houses; and he gives as the five-year goal the construction of 480,000 houses. His estimate for the fiscal year 1946-47 is 60,000 new houses constructed, of which I understood him to say about 15,000 will be provided by direct government agencies and the remaining 45,000 by private builders. I want to call the attention of hon. members to the fact that if, as the minister has projected, we have 60,000 houses this year, 80,000 next year and 100,000 for the following three years we shall still fall short of the target he mentioned in relation to that five-year period, namely 480,000 houses. So it is obvious that if we are to meet this need with anything like the speed and efficiency the Canadian people would desire, the minister will have to shoot at a higher target in the production of houses, starting this year. It might be said that the minister is being properly conservative, that he is going to do this but he does not want to disappoint the people by aiming too high. If that is so I am entirely in agreement, but I would point out to him also that not only may his estimate of the numbers which will be constructed be conservative, but in my opinion at least his estimate of the number that will be needed is also conservative. So I say to the minister, let him give the number as 60,000, but let him work for a very much larger number.

The other matter upon which I suggest he should raise his sights is in connection with the material shortage, which of course is the paramount factor in housing to-day. The other day the minister gave a picture which to my mind was designed to show how the situation was improving and how the government was contributing to that improvement. There is no question that the government's measures, taken on April 29, have begun to bear fruit now, and certainly we wish them well; but surely it would be wrong to suggest that the improvement in the first half of this year resulted from government action taken at the end of April. I think I can show it to be the fact that these great percentage increases in production have resulted from the natural recovery of business after the end of the war, from a very low total production during the war years when, as the minister has said, the material, the men and the effort were being put to other uses. Just to give that comment some point I want to refer to some of the figures mentioned by the minister. At page 3675 of *Hansard* he said:

> The supply of cement and cement products is moving steadily forward. Production volume is the highest since 1931. . . . By May, 1946, the monthly production had again increased so as to raise the per annum volume to a figure somewhat over 10,000,000 barrels.

That sounds very good, and it is very good; but I want to call the attention of the house to the fact that according to the figures of the dominion bureau of statistics, in 1929, Canada's production of cement was twelve and a quarter million barrels, so we have yet some distance to go to catch up to our production in a good year—but seventeen years ago.

Again the minister spoke about great percentage increases in the manufacture of brick. According to the figures of the dominion bur-

eau of statistics I find that the present average monthly brick production is almost identical with that of 1945; that there has been no actual increase in the average monthly production as between 1945 and 1946. I find, too, that Canada's production of brick in 1945, and the way it is running now, is less than half the brick production in 1929.

The minister referred to the increase in the supply of wire nails. There again I find the production is no better than 1943, which appears to have been one of our highest years.

The minister referred to an improvement in the production of structural tile. In 1929 we produced 221,300 tons of this product, while in 1945 we produced only 94,244. In 1929 we produced 307,400 square feet of floor tile, while in 1945 the production was only 197,164. In 1929 we produced, in thousands, 35,077 roofing tile, whereas in 1945 none was produced. For the first five months of 1946 the figures for structural and floor tile, which are lumped together in tons by the bureau of statistics, show a production running at the rate of 120,000 tons a year, or well under half of the production in 1929.

I mention these figures not by way of criticism of the minister, but in an effort to place in true perspective the statement he made the other day, and to urge him—if he requires any urging—to go after this problem in a bigger way, a way of which he is capable, and not to be satisfied with the progress he indicated in his speech.

I turn now to the problem of increasing supply of building materials. At page 3674 of *Hansard* the minister said:

> Extra costs may be involved in obtaining increased output and, if so, the government is prepared to consider meeting these costs. Where plant expansion is necessary to eliminate materials bottlenecks, the method used to stimulate expansion of war plants will be made available.

I would make two comments on that statement, the first that again it is a year late, and the second that it is in the identical words, I believe, and certainly in the same sense, as the speech made by the minister in April to the Canadian club in Toronto. The house will notice that the earlier statement and the more recent one are both couched in the future tense, and do not indicate that any great progress has been made in dealing with extra costs, or with other problems which have been troubling the building materials industry.

The minister insisted the other day that price ceilings are not hampering production of building materials in Canada. At that time I attempted to indicate, offhand and from memory—I had no material in front of me—one way in which the production of one type of building material, namely lath, was being hampered by the price ceiling. Since that time I have received a report of a committee set up to deal with lumber prices and distribution in secondary industry and retail yards in Vancouver, This report is dated July 12, and a copy was sent to the minister. The whole report deals with the effect of price ceilings on the production of various articles which these lumber yards and secondary woodworking industries manufacture in Vancouver. If the minister will consult his copy, I believe he will find an answer to the problem he put to me.

One of the specific articles entering into the construction of houses, which is mentioned in the report, and the production of which is allegedly being held back by the illogical price ceilings in force with respect to these products, is fir flooring. It is stated that the retail price ceiling of flooring, when manufactured is less than the price ceiling on the flitches from which it is manufactured. Doors are almost unobtainable, and the reason given is the price ceiling. A similar condition exists with respect to lath, to which I referred the other day.

I do not wish to read in detail from the report, but in the section dealing with millwork operations they say:

> The millwork factories, generally speaking, state that they are unable to make long-distance plans unless the prices board will state its policy in regard to increases in prices of material and labour.

And again:

> In regard to doors, the prices at present authorized result in very few doors being made.

In the summary of the report one finds certain rather significant statements, in these words:

> The two most troublesome matters with which industry has to deal are the dicta of the prices board:
>
> (a) That industry must absorb increased labour costs without price relief unless financial distress is shown.
>
> (b) That price increases cannot be granted on single items or groups of items if over-all profit is satisfactory.
>
> In addition, the members of the committee find a distressing lack of knowledge as to what the policies of the prices board are; which prevents long distance planning and reduces business almost to a day to day venture.

And again:

> No firm faced with rising costs is willing to institute any long distance manufacturing plan based on past results. Manufacturers can only concern themselves with the conditions here present, and they state that unless the prices board can be more realistic they are unable to swing into full production.
>
> Concerning the suggestion that firms must manufacture loss items if the all-over profit

position is satisfactory, the plain facts are that only in a few cases are these loss items continued in production.

That will give some indication of the views of this body, at least, as to the effect of price ceilings on the production of goods needed in house building. I would ask the minister when we reach the committee stage to indicate in greater detail what he is going to do to help the industry produce more building material. If the minister is right, and if price ceilings are not hampering maximum production, then what does he mean by the promise that the government will meet extra costs involved? Does that mean an increase in the price ceiling? Does it mean subsidies? What does it mean?

To my mind we must remember that we in Canada have faith in a free enterprise economy. Surely with the shortage of materials and houses the minister has shown, there should be the greatest possible challenge to private enterprise, to free enterprise. Under normal circumstances private enterprise should have no difficulty in meeting that challenge and getting after production without any great help from the government. In my view private enterprise in most respects is capable of doing this job and standing on its own feet. When the minister speaks of assisting with extra costs, I should like to know whether he means subsidies or price increases. The policy with regard to price controls on imported goods has recently been changed. I am wondering if before that policy was changed there was a lessening of importations into Canada of such items as glass and electrical equipment required in the building of houses, which are two items that we must necessarily import. One other difficulty which faces private enterprise in its efforts to meet this problem may be the necessity of obtaining quotas from the minister before they can go into production. Then again sometimes they cannot get the machinery necessary to set themselves up in business.

The minister has properly lamented over the strikes and work stoppages that have occurred. Is this not a problem for government labour policy? Should there not be a policy that would prevent these strikes and that would satisfy the various partners in industry? The government cannot just say that the strikes have occurred, and then wash its hands of responsibility for their effect upon the production of building material.

The minister spoke of assistance to building material producers by way of double depreciation. Does that mean that the taxation policy of this government is going to hamper production? The minister spoke also of a labour shortage. I will go all the way with him when he talks about the lack of skilled tradesmen and the necessity of our developing a skilled working force in the country, but what about the people who are already trained and working? Is the taxation policy of this government such that those people are willing to work and produce to the maximum of their capabilities, or is that taxation policy hampering production?

One does not hear a great deal about extra shifts, certainly not in the part of the country from which I come. I am told that the reason why there are no extra shifts being worked in the mills is a lack of logs. What can be done now that the lumber strike has been settled to get more and more men into the woods so that we can have extra shifts and increase the supply of lumber for the home market?

I should not criticize the government like this without admitting wholeheartedly that there is one factor for which the government cannot be held responsible. I refer to the shortage of materials and work stoppages in connection with the production of materials that are imported from outside Canada. I realize the serious effect that this has had upon the minister's efforts to increase production.

However, I contend that the solution of this whole problem is the government's ultimate responsibility. The reason it is not being solved faster is that which was given so regretfully by the Minister of Finance in his budget speech. After referring to the size of our national income and the amount of money we were making, he expressed regret that he did not see in the country that cooperation toward a single end which would make all things possible for us in Canada. If we could get that happy cooperation toward a single end, many of the minister's problems with regard to the production of materials and houses would be solved. It is the responsibility of this government to see that policies are put into effect which will obtain that cooperation. After all, that is the ultimate purpose of any government.

The last thing I should like to refer to is the increase in the lending value, which the minister has said will be ten per cent. This will bring the lending value up from 135 per cent to 145 or 150 per cent of 1939 prices. The minister went on at some length to explain why no other increase was possible. If, as he says, the figure of 150 per cent closely represents the additional cost of home building from 1939 to 1946, I should have no great complaint to make. But I have some figures here which I obtained from a Vancouver

paper and which suggest to me that the percentage of increase over 1939 costs is much greater. If I am right, then the ten per cent increase will not do any good.

My figures deal with a house 1,000 square feet in size, built on a lot costing $500. With the lot at $500 and a 1,000 square foot house, the National Housing Act figure of $4.20 per square foot would give a total lending value of $4,700. The loan which would be granted under the act would be $4,100. The cost of construction is taken at $6 per square foot, which would make this house of 1,000 square feet cost $6,500. The owner would have to contribute $2,300 out of the total cost of $6,500, which means that he would be contributing about thirty-three per cent as a down payment. That makes it most difficult for many people to build houses.

The minister has announced a ten per cent increase. Using the same house as an illustration, and taking a similar lot costing $500, we find that the lending value on the basis of $4.62 a square foot amounts to $5,120. The loan which would be granted would be $4,384. The cost is still $6,500, and the amount the individual must put up in order to build the house is $2,116. The total saving to the person who wishes to put up a house is $184, or let us say $200 out of a total investment or a total down payment of $2,300. I suggest to the minister that that is not adequate relief. If my figures of $6 per square foot for the actual cost and the figures given by the National Housing Act authorities of $4.20 and $4.62 are accurate, they would suggest a need of further revision. I suggest to the minister that he try to raise the lending value to something more closely approximating the total cost.

Mr. JAMES SINCLAIR (Vancouver North): Mr. Speaker, I should like to make a few general remarks on the housing act and the housing policy, especially as they affect British Columbia. I have no apologies to make for speaking from the provincial point of view, because this policy is of special importance in British Columbia—not just because the difficulties of our housing problem in Vancouver are much more aggravated than in any other part of Canada, but because lumber is the basis of housing, and lumber is the real basis of our industrial economy in British Columbia.

Vancouver has long been the timber capital of Canada; indeed, it is one of the great timber centres of the world. The people in the Vancouver area have always been used to having cheap lumber in plentiful supply. So to-day when lumber is in short supply, at least to the private builder and to the veteran in the Vancouver area, you can understand why the irritation over the present housing policy is perhaps greater there than it is anywhere else in Canada. When I was at home at Easter, which is one of the few chances a western member gets to visit his constituents during the session, I visited the operators of the saw mills in my riding, which includes the greatest number of saw mills in any riding in Canada. I also visited what was left of the retail lumber yards in the Vancouver area, and also a number of building contractors, and discussed this problem with them. I found, to my surprise, that there is no lumber shortage in Canada to-day. The shortage is not in the production of lumber. It is the improper and inadequate distribution of the lumber that is being cut that is causing the trouble. I want to give a few brief figures to illustrate this point. This year we expect the greatest cut in Canada's history, roughly five billion feet of timber.

Mr. HACKETT: At some time in his speech would the hon. member be good enough to indicate what underlies this faulty distribution?

Mr. SINCLAIR (Vancouver North): I am coming right at that now so far as the Vancouver area is concerned.

Mr. HACKETT: There is no lumber in the east.

Mr. SINCLAIR (Vancouver North): The cut this year across Canada will be approximately five billion feet, of which it is estimated that two billion feet will go into poles and ties and pulp and paper, leaving a balance of 3 billion feet. The domestic quota until recently was thirty-five per cent, but after the disastrous timber strike in British Columbia the Minister of Reconstruction raised that to fifty per cent to keep an abundant supply of lumber on the domestic market. Averaging those figures we get 1,200,000,000 feet of lumber, out of that three billion feet, for the domestic market. If all of that were turned into housing, which I do not believe is practicable, it would build 120,000 houses. The ordinary five-room house in Vancouver uses from 10,000 to 12,000 feet of lumber. In the east it is not as much, because you use stone and brick much more than we do. But even if just half of that estimated domestic supply of lumber were used in the houses, we would still have enough for 60,000 five-room houses in Canada. Yet on my visit home, driving around by riding, I had many complaints from veterans that they could not get lumber for building houses. In the city of Vancouver

I saw a tremendous building boom—barbecues, theatres, baseball stadiums, stores, all consuming a large amount of lumber, were being built. At the same time I was flooded with calls and letters from veterans complaining that they could not get lumber for housing, that the big operators were getting all the lumber. The answer is bad distribution—and I am speaking entirely in terms of the British Columbia trade; I cannot speak with authority on anything else.

In British Columbia there is this unusual factor. Most of the saw mills are concentrated in the Vancouver area. The logs are towed down the coast and are sawn up in the big mills. Before the war these big mills were not in the retail trade to any extent. Where they were selling big orders locally they would sell retail as any wholesale house would. But generally speaking the British Columbia market was supplied by the little lumber yards all around the town. The mills are highly specialized. Some cut big dimension timber, some pine, some flooring and laths, and so on. The small lumber yards did a very useful job in collecting the products from the great saw mills and selling them retail to the small builders. I agree with what the hon. member for Vancouver South said on the resolution, that these small lumber dealers in British Columbia have been put out of business and as a consequence the small builder who dealt with them has been practically put out of business because he cannot obtain the lumber. The reason is that these big mills have gone into the retail business completely. Before, there was a selling job to be done through the retail outlets. Now there is no selling job to be done. Everyone wants every bit of lumber he can get. It is all a matter of price. The mills are getting $26 a thousand for the lumber they turn out. The cost of logs is $25 a thousand. The saw mills are selling their lumber at below the cost of production. They have produced figures to show that it is $15 a thousand below the cost of production. I questioned Mr. Donald Gordon about that on Friday before the industrial relations committee—it is an excellent thing to give hon. members a chance to question him—and he agreed that it was government policy to sell British Columbia timber for housing in the domestic market at greatly below the cost of production, telling the operators to recoup themselves with high prices on the export trade. It is natural therefore that the mills should try to make this domestic loss as little as possible by selling their lumber retail, which gives them another $10 a thousand, making a price of $36 a thousand. If you are buying logs out of the water at $25 a thousand you are not going to make much by selling the lumber at $36 a thousand.

Mr. MERRITT: I understand that there has recently been an increase of $6 a thousand in logs, so that No. 1 logs are now selling at $40, No. 2 at $35 and No. 3 at $25.

Mr. SINCLAIR (Vancouver North): I am talking about cheapest grades at the mills. Those are similar increases in the higher grades.

Mr. MERRITT: I am simply pointing out that the situation is worse.

Mr. SINCLAIR (Vancouver North): Yes, and when these big saw mills go into the retail trade they have not the facilities that the small yard has. The price of labour in the British Columbia lumber industry is the highest in Canada. The big contractor who is building a factory or a baseball stadium wants hundreds of thousands of feet of lumber, with say fifty thousand feet of two by fours. In the lumber yards lumber is stocked in sling loads, 2,000 feet in a stack, which can be lifted on a truck as a unit. It is no bother for the saw mill to sell to such a buyer, who simply lifts the stack on to his truck. However when the veteran goes to the mill with a requisition for 10,000 or 12,000 feet, four pages of typewritten requisitions for different types of lumber, so much flooring, so much sheeting, so much joists, wall board, shingles, and all the rest, the saw mill has not sufficient labour to go running around the yards to sort out fifty feet here, a hundred feet there, five hundred feet there, and so on, to fill the veteran's order. So it is the big contractor who is getting the bulk of the lumber produced in the Vancouver area to-day, simply because the saw mills are trying to cut their losses. He is engaged perhaps on a big-time housing project but also in building moving picture theatres, baseball stands, barbecues and all the rest.

The saw mills which were in business before the war are still selling their quotas to the retail outlets, but there has been a great change in the ownership of the saw mills. Buyers from the east have come in, even brewers, who saw that the lumber trade was going to be profitable in time of war. The result is that many of the mills have changed hands and then have broken off the relations the mill had with the retail outlets, and as the hon. member for Vancouver South has said, many of the retail lumber yards are closed as a consequence. They are trying to stay in business by selling anything which comes to them—cement which they cannot get, nails which they cannot get, paint, tiles, and so

on but they have not got lumber. Because of that the small builder and the veteran who are seeking small orders of lumber are having a very difficult job to get it.

One other thing I must say in support of the pre-war saw mill operators. Last year a movement was started by Mr. King of the King Mills to make building supplies available for veterans, entirely aside from any government priorities. Through his efforts, a movement was started amongst the mills which provided lumber for 1,200 veterans' houses last year in the Vancouver area. The great weakness, therefore, as I pointed out, as far as British Columbia is concerned, is in distribution, the fact that because of being forced to sell at below the cost of production without any sort of subsidy, the mills are naturally trying to cut that loss as far as possible by selling retail in large quantities, and at the expense of the small builder who cannot get lumber.

I come back to the lumber yard in the Vancouver area. The Minister of Reconstruction made the comment that he thought the retail lumber yards were doing very well out of this present emergency; and I agree that they are, in the east, but not in Vancouver. I want to give you some figures which one operator gave me when I was visiting him. He had an order for 50,000 feet of structural timber, 12 x 12 and 16 x 10, from eastern Canada. He got $26 per thousand, wholesale price loaded in the railway cars. It was taken to Montreal at a freight cost of $29 per thousand, or a total cost of $55 per thousand. This of course was consigned to a retail yard, in Montreal, and all this man had to do was to pick up the phone and tell the construction company their timbers were at the siding and the construction company picked it up. The retailer got $84 a thousand, or $29 net profit, $3 more per thousand than the logger got for logging and sawing the timber. The retail yards in British Columbia think they have a real cause of complaint; for on a similar deal in British Columbia they would get nothing. The small builder in British Columbia feels that he has an even greater cause of complaint.

The next point is the priority system. I agree with the hon. member for St. Paul's that this business of having the cities issue priorities is not working out. I am convinced that we should not have priorities laid down on a hard and fast national basis, but I do believe that the award of priorities should be on a regional basis. He used the example, I think, of the city of Toronto having no control over priorities in Mimico. I might take my own district of Vancouver. The city council of Vancouver have no authority over priorities issued in North Vancouver or in New Westminster. So if some enterprising business man comes from the east to build a factory, and finds that he cannot get a timber priority from the city of Vancouver, he will go to North Vancouver or to New Westminster—New Westminster will invite him there—and they get the industry but the lumber comes out of the local domestic supply. The situation involves local pressures on local aldermen as well. It would be better if we had a regional system from, say, Chilliwack to Vancouver and West Vancouver to Ladner, and some system of priorities laid down within that area.

Mr. HACKETT: Would it not be better to get rid of the priorities altogether?

Mr. SINCLAIR (Vancouver North): No, I would not get rid of the priorities altogether. I am convinced, speaking as a veteran, that a veteran's priority could be properly worked in that area. The sawmill people themselves showed it could work with those 1,200 veterans' houses which they supplied lumber for last year. Veterans and small builders would be encouraged to go ahead and build houses, and I am convinced that it is the small builder who is going to build houses in this country, not the large construction companies, formerly in heavy construction, who are in the housing business for money.

I want to summarize the effect of this policy on various individuals. First, on the small builder who cannot get lumber. He scrapes around from mill to mill. In the Vancouver area each mill makes something different; and he goes from one mill to another in search of lath, flooring, pine for wallboards, and shingles. During this time the house is standing idle. The rains come—and we have rain out there. He has to continue paying his help. As the minister has pointed out, we are short of carpenters, plasterers and bricklayers, and unless he continues to pay them, even when they are idle for lack of money, one of the big companies who are getting lumber will employ them, and so his costs will mount. So this $15 below the cost of production is no boon to the small builder since he can't get the lumber. One contractor who has an enviable business in West Vancouver told me that this business of shopping around to all mills within forty miles of Vancouver for lumber formerly assembled by local yards costs him a minimum of $30 per thousand more than the cost price of the lumber.

Now I am going to recapitulate the effects the present policy has in British Columbia, first on the retail lumber yards in Vancouver.

Most of these, except those fortunate ones who are dealing with mills still in the hands of the pre-war owners, have been driven out of the lumber business; they are trying to sell paint, nails, wallboard, cement, et cetera, hoping they will last out until conditions become normal again. We are always going to need, even in the Vancouver area, good active retail lumber yards, just as we need in this country retail outlet of every description; and the responsible saw mill operators who have been in the business for years gone by, and who intend to remain in the business for years ahead, are the very ones who realize that most strongly.

Now I want to speak, secondly, of the effect on the British Columbia timber industry—and that is the worst effect of all. Timber is and has been and will be the very bedrock of our British Columbia economy. One-third of the people in British Columbia earn their bread and butter directly from the timber trade, and I think most of the rest of us earn it indirectly. Members from the west and the maritimes have spoken here, of course, again and again and again of how the trade policy of this country is determined down here for Ontario and Quebec; that has certainly been true of our timber industry. We have had to go abroad to seek markets for British Columbia lumber. Before the war we did not sell any British Columbia lumber to speak of—apart from a little of the big dimension construction timber,—here in the east, or on the prairies, except clear finishing stuff, because the prairies have quite a good saw mill industry. Apart from what we sold in the British Columbia market we sold clears to the prairie market and some structural timber to the eastern market, and to sell the rest we had to go out in the markets of the world—and when I say "we" I mean the provincial government and the industry itself. It is a well-organized and highly developed industry. They built up their trade routes and made their own contacts. Our people competed with high quality and low price against Russian and Baltic timber in Britain, in spite of the very long haul from Vancouver, and also obtained markets in South Africa, Australia, New Zealand, and even in the United States. And now government policy is forcing us to ruin deliberately that entire long, slow, difficult and entirely provincial development of our world trade, because we are being forced to sell at far below the cost of production here on the domestic market, and told to recoup it by charging exorbitant prices—the timber trade would be the first to admit it—in the export market. The effect in the future will be that the people of Canada will expect British Columbia timber to be sold at less than the cost of production. Eastern lumber is being sold retail here at, for example, $60 per thousand, while $36 retail is the domestic price as far as British Columbia is concerned. The effect on our export markets is obvious; and in British Columbia we lived in the past, live now and are going to have to live in the future, on export markets. Yet we are being driven out of our painfully established pre-war export markets by the very tactics which this government refuses to condone as far as wheat is concerned. If we proposed to go on world markets with our wheat to-day and charge all the market would bear $3, $4, $5 a bushel, in order to sell our wheat cheaply at home for a dollar or less, you know the screams which would go up from the prairie members on this side, and the even louder screams from prairie members on the opposition side. Yet that is the policy which is being followed in regard to British Columbia lumber. Quite true, it is to alleviate a national housing emergency, but even the present emergency does not demand a course that will ruin British Columbia's primary economy, and that is exactly what this policy is doing.

Now as to the present allocation of markets. Fifty per cent local; and no one would dispute the allocation of thirty-five per cent to Britain: we are for that, because Britain was our best and surest pre-war market, despite Baltic competition. There remains the fifteen per cent which at present is being broken down, ten per cent to Australia, New Zealand and other British dependencies and dominions, and five per cent to the United States. On that fifteen per cent we are expected to recoup the losses made selling fifty per cent domestically at a loss of $15 a thousand, and we cannot do it without charging export prices which will ruin any hope of keeping these markets in the years ahead.

One other thing as far as the timber trade in British Columbia is concerned. You all know of the recent wage increase which has been granted of fifteen cents an hour. It is being used as a pattern by the unions across Canada in their present demands and it has put the British Columbia industry, including the operators and the workers, in an even more difficult position to maintain production under present price policy. I would suggest certain remedies, and I do so realizing that the price ceiling must be maintained. I represent a labour riding, and realize that it is unpopular in British Columbia to suggest that prices, and especially timber prices, be raised; but despite this I suggest first of all that the price of domestic British Columbia lumber be

raised $15 a thousand, so that at least the industry will be given a chance to sell at cost of production and not at loss. That would enable them to scale down a little their prices to our export trade. It would be still $10 less than the domestic price of eastern lumber.

Second, I think there should be a control reinstituted on the price of logs. When the ceiling was taken off logs the price went up $6, and the saw mills who did not own their own logging operations were squeezed, buying at $25 and trying to sell lumber at $26. I am afraid that if an increase were given to the saw mill operators on lumber without a control being reimposed on logging, once again you would have the loggers putting up the price of logs almost to a level with the price of lumber. That would not affect the big operators, H. R. MacMillan, Fraser Mills and the new British Columbia Products, who log their own timber. But the small operators and saw mills in the Vancouver area who buy from logging operators would be in just as difficult a position as they are at present.

Third—and this is most important to all the small builders in Vancouver—with that price the government should insist on every mill in the Vancouver area sending a high quota, as high as in peace time, to the retail yards, so that any man wanting to build a house could go to the retail yard as he could in peace time and get his lumber—because there is sufficient lumber on the market if available for proper distribution. Such a policy would actually save the builder money in British Columbia. He would have to pay $15 a thousand more on a ten thousand foot or five-roomed house, which would cost him $150 more; but on that estimate, which my contracting friend gave me of $30 a thousand extra cost to-day because of the present delays, and the time and difficulties involved in hawking around the saw mills trying to get fifty feet of lumber here and a thousand there, exposure of the unfinished house to the elements, the cost of having to keep men in employment without having work for them to do, and paying them—all these difficulties and inconveniences would be removed if the retail yards were given their proper quotas so that if the builder wanted lumber he could get what he wanted, no matter how small an order and all from one source. The net effect would therefore be to save the small builder $15 a thousand on his costs.

Lastly, I suggest that the system of priorities be put on a regional basis so that there will not be competition between adjoining towns, one town decently trying to carry out the present emergent housing policy while another town looks to the future, desiring industries, and giving priorities for lumber to factories, theatres, shops, athletic stands and the like, lumber which should be used for housing. Only when these priorities are put on a regional basis, embracing a region which is more or less an economic unit, can there be satisfaction in the matter of priorities.

At one o'clock the house took recess.

The house resumed at three o'clock.

Mr. E. B. McKAY (Weyburn): Mr. Speaker, I need not say that we all consider the present housing conditions in Canada as most critical; as a matter of fact some have even gone so far as to say that it is bordering on a disgraceful state of affairs. For a nation with such unlimited resources and at the moment, as in the past, idle man-power, there is positively no excuse for a shortage of houses. There has always been a housing shortage, so the war cannot be blamed entirely for the present deplorable lack of living accommodation. It is not a temporary condition, though it is particularly bad at the present moment. This is just another unpleasant result of capitalistic policies. People have moved from rural areas throughout the country to crowd out our urban centres. This has been going on for decades. In 1871, according to the Canada Year Book, our rural population was 80 per cent of the total population of the country. By 1941 the number of people living in rural areas had decreased to just under 45 per cent of our total population. The development of large overpopulated urban centres, at the cost of a depleted rural population, is a situation to be deplored; for a nation's strength always lies in its rural folk. It indicates that a most unsatisfactory economic situation existed in the rural areas; and for that matter, Mr. Speaker, it still exists or people would not be continually migrating to the larger centres of population.

Large industries located in our cities are taking a disproportionate share of the wealth of the nation, leaving rural districts on the whole in an impoverished state. As a result of the removal of wealth from the rural areas, housing generally there is at a very low standard. On the other hand workers flock to the cities to operate private enterprise. The wealth in our urban centres is concentrated in a few hands, with the result that thousands of workers are inadequately housed. They are paid low wages and thus cannot afford to provide themselves with houses of their own,

or even to pay rentals that would provide decent housing accommodation. According to the Curtis report, in 1941 one-third of Canada's population lived in the metropolitan areas of twelve cities in Canada. In these specific areas 63·6 per cent, or almost two-thirds of the population were tenants living on incomes too small to enable them to purchase houses of their own. Of this group only one-third had incomes of $1,800 per year or more. Anyone should know that incomes below this amount are insufficient to permit people to buy or build their own dwellings.

It seems obvious, then, that unless the incomes of these people are increased the government must evolve some system of subsidized housing in order to provide these folk with decent living quarters. There is no subsidized housing in Canada as there is in the United Kingdom or New Zealand or even the United States. The few houses provided on small holdings under the Veterans Land Act or by Wartime Housing Enterprises represent a weak-hearted attempt to meet an almost hopeless situation; and because of this crisis in housing, what do we find? Three and four and five families living in dwellings only large enough to house one family decently. I need hardly say that such overcrowding breeds delinquency among children and creates a generally unwholesome atmosphere everywhere. This shortage of houses existed before the war, as was freely admitted by the Minister of Reconstruction and Supply (Mr. Howe) in his address on housing last Monday. The war aggravated an almost intolerable situation. Lack of construction during the war years and the accelerated movement of people from rural to urban areas to work in munition plants contributed to the crisis in housing we face to-day; and the veteran returning to Canada has to face that situation.

To say that similar conditions exist elsewhere is to beg the question. Canada has the material for construction; she has the man-power for it; but the programme thus far outlined by the government is woefully inadequate. The veteran is the forgotten man as far as housing in urban centres is concerned. Even in rural and suburban areas, projects for veterans have to wait because of shortages of building materials, shortages caused by the lack of any provision in our statutes prohibiting the erection of theatres, garages, filling stations and luxury homes throughout the country. Veterans do without, while materials are being used in non-essential building. Ceilings should have been imposed upon house building, as has been done in the United Kingdom. Until the present crisis is relieved, the construction cost of houses should be limited to $7,000; and until veterans are provided with houses a regulation should be invoked giving priorities to veterans only for house building. Luxury houses can wait until veterans secure shelter for their families. I am certain this nation does not want men who fought for our way of life to be homeless. Nothing to-day is more important in my opinion than the provision of houses for the boys who fought for democracy.

Besides the difficulty of obtaining materials, the veteran is faced with inflated prices. To finance a pre-war modest home of $3,600 now requires $5,000 or more. The government provides little assistance to the veteran in securing a building loan at a low rate of interest. National housing provides only a portion of the money he requires for financing his dwelling, and at 4½ per cent interest. No preference is given to the veteran over the civilian. An interest rate of 2½ per cent might well have been provided as a maximum. The government could well have absorbed the difference between 2½ per cent and the 4½ per cent which is charged to civilians. This would in small measure meet the inflated prices with which the veteran is faced in the purchase of construction materials—inflated prices which in most cases developed while he was in uniform serving his country. He was unable to provide a home for his family, as most civilians here in Canada were able to do when they saw prices of construction products rising.

The government provides ex-servicemen with a few hundred dollars as a civil reestablishment credit, to assist them to provide accommodation for themselves and their families. With the inflated building costs and high prices for houses, this is only a drop in the bucket. The move was a commendable one as far as it went. The credit looked big to the soldier when he served on European frontiers, but when he endeavours to locate a house to-day it looks pathetically small.

Even second rate houses have advanced in price 50 per cent to 100 per cent. Veterans cannot hope to pay these excessive prices. Indeed it is anything but fair for a grateful country to expect them to pay those exorbitant prices. Long ago a ceiling should have been placed on the prices of houses. Ceilings have been placed on other commodities; why not on houses? They need not be selling at such unreasonable prices. I appeal to the government to do that at once.

During the war the wartime prices and trade board placed a ceiling on rentals. This was an attempt to control rates which in many cases had become excessively high. It was for the most part successful—perhaps every-

where except in the city of Ottawa, where some of us had to pay as high as $35 for one room. Nevertheless it was a step in the right direction. But no attempt has been made to control prices in house sales. Speculators and real estate dealers have been allowed to make a killing at the cost of the veteran. By allowing prices of houses to sky-rocket, and prices in general to run wild, the government has defeated the purpose for which the civil reestablishment credit was set up.

Prices have reached prohibitive heights. It has been a field day for private speculators. It is not fair to the boys who were seeking a place in which to live; it is unfair to the buying public at large. People have made enormous profits by selling homes to veterans scarred by war. Veterans have been forced to pay fantastic prices in order to obtain shelter for their families. This sort of thing should have been stopped long ago. Ceiling prices should have been placed upon these houses. It is not yet too late to rectify that error. If rental controls could be made to work, surely ceiling price controls could be made effective on housing.

It has been suggested that this type of control would be difficult to establish. I am not so sure about that. Has it been tried? I am satisfied that controls could be based, first, upon location—whether houses are urban or rural; second, upon the size and number of rooms; third, on the type of house, whether modern, semi-modern, or unequipped; and, fourth, upon age. I ask the government now to remedy this situation, which is working to the detriment of almost every married veteran in Canada.

There is a dearth of low-rental homes throughout the country. The bill before the house will not provide low-priced housing and therefore will not provide low-rental housing. Subsidized housing is the only answer to the problem. Private enterprise has never met this situation and is not meeting it to-day. It has failed miserably. The Canadian Legion is cognizant of the true situation. In the Ottawa *Journal* of July 19 the following appears:

> The "primary need" in the national housing emergency is to provide low-rental homes for war veterans, Major Gen. C. B. Price, of Montreal, president of the Canadian Legion's Dominion Command, said in an address at a luncheon meeting of the Dominion Construction Association management committee here yesterday.
>
> A "good many" married veterans in low income brackets were "terribly discouraged" because all their efforts "to secure decent living accommodation, for their families, at anything like the rentals they can afford to pay, had been of no avail."
>
> It was "nothing short of deplorable" that the veterans' chances of success in reestablishment in civilian life were "far less than they otherwise would be, due to the constant strain of anxiety on the score of living accommodation."
>
> Gen. Price appealed for the association's cooperation both in obtaining low-cost housing and in helping veterans reestablish themselves in building trades.
>
> The only "practical relief" so far provided veterans seeking low-rent accommodation has been through Wartime Housing Limited, and the only satisfactory solution to the emergency was in making more subsidized housing units available to low income veterans, he said.
>
> "Not nearly enough" had been done to ease the veterans' housing problem and veterans should be given a "right of way over all other house building activities."

In conclusion I wish to emphasize again these points:

(1) The shortage of building materials could be substantially relieved by banning non-essential building.

(2) Materials would go further if restrictions were placed on the erection of dwellings exceeding $7,000 in value.

(3) A building loan should be provided veterans at a lower rate of interest than is charged under National Housing, to enable them to meet the high costs now prevailing.

(4) A priority should be set up for veterans for home building.

(5) A ceiling should be placed on selling prices of houses as a temporary expedient to enable the veteran to secure housing at a reasonable cost.

(6) A subsidized housing programme should be set up by the government to meet the demand for low-rental housing.

The veterans are not receiving a square deal to-day in the matter of housing. All they ask is a square deal and nothing more. I believe that if the suggestions I have made are acted upon by the government, more and cheaper housing can be provided.

This country must provide housing for its ex-service personnel at reasonable cost, and the public would support any move on the part of the government to meet that situation. As Theodore Roosevelt said, a man who is good enough to shed his blood for his country is good enough to be given a square deal; more than that no man is entitled to, and less than that no man shall have. Let us give our veterans a square deal in housing. They ask for nothing more, and to that at least they are entitled.

Mr. LEWIS MENARY (Wellington North): Mr. Speaker, I should like to ask a question of the minister about the statement he made the other day in the house. He can answer it now or at some future time. He stated that to add a basement to a house would increase the cost $7 per month for the length of the

loan, which would be twenty years. That would amount to $1,680. I telephoned a builder the next morning and he gave me some figures. He told me that cinder blocks would cost 18 cents apiece, and for a cellar 22 feet by 28 by 7 feet deep the blocks would cost $126. I have allowed $30 for a bulldozer to dig the cellar. I do not know whether that is enough, but there is a man up home who has a bulldozer and he can dig a cellar in an hour. I have allowed $50 for the laying of the blocks, and another $50 for the mortar and sand. This totals $256, or $1.07 a month for the period of the loan, twenty years. I should like the minister to tell us where the additional cost of $5.93 per month comes in. I know what the blocks cost, and I am sure the other information I got is correct. If he cannot answer now, a subsequent time will be quite all right.

Mr. HOWE: Ordinarily questions and answers come at the committee stage. All I can say is that Wartime Housing has built certain projects with basements and other projects without basements, and it has been found necessary to charge $7 a month more for a house with a basement than for one without a basement, in each case the computation being on the same basis. I think if my hon. friend undertook to put a cellar under his house for $256 he will find that he is very optimistic and is likely to be severely disappointed.

Mr. MENARY: I know I have the right figure for the cost of the blocks, and I am sure I am allowing enough for wages for two men to lay the blocks in two days.

Mr. ALISTAIR STEWART (Winnipeg North): Mr. Speaker, the Minister of Reconstruction and Supply (Mr. Howe) is going to have a rather rough time with this bill, and yet I should like him to know that we all realize the magnitude of the problem which he has inherited, and that we want to see that problem solved. However, I feel quite certain that it will not be solved on the basis of the statement which the right hon. gentleman made to this house last week. It was a frank statement; it was an honest statement, interspersed with occasional dashes of the minister's insuperable optimism. He told us that the deficit confronting the country was approximately 180,000 houses, but it is really much greater than that. Were the people of Canada to be properly housed we should have to build anything between 700,000 and 1,000,000 more houses.

The minister has told us that it is the intention of the government to build another 480,000 houses by March, 1952, and that private enterprise is being depended upon to build them. I state quite categorically that private enterprise, I do not care how much it is assisted by the government, will not build that number of houses in this country by 1952. The aspiration is laudable; we should like to see these houses built, but I think we know from experience in the past in Canada, and from the experience of other countries, that private enterprise is not capable of handling the housing problem in a country such as ours, and the minister has said that that problem is rapidly worsening. He should know by now, from the deputations which have waited upon the government, from resolutions passed by municipalities, and from statements which have emanated from commissions of inquiry, that private enterprise cannot build these houses. If he is dissatisfied with the statements of groups outside of the government I will quote him part of pamphlet No. 21, issued as long ago as 1938 by the Department of Pensions and National Health at Ottawa, as follows:

> We need dwellings for the lowest income groups who have not, and may never have the ability or opportunity to earn sufficient to pay a self-supporting rent for the size of dwelling required to house their families under minimum permissible conditions of sanitation and decency. The construction of such dwelling accommodation obviously will never be undertaken as a commercial venture by private initiative. These people need to be assisted by the community, and the manner of this assistance is the housing problem in its thorniest aspect. Almost altogether this group is a class of renters, both due to limited finances, and to their necessity to be free to move in accordance with the location of their employment.

The officials of the government have been aware for many years that private enterprise cannot solve the problem of housing for the people of Canada. Private enterprise will invest money only in the type of construction from which it can make a profit, and there is no profit in building houses for the people in this country who need them most, the submerged third who must have houses which rent at from $10 to $16 a month. Private enterprise will erect the buildings we have been hearing about—theatres, garages, filling stations, and so on. I was in Montreal and I saw the foundation being laid for a new hotel of 1,100 bedrooms. I do not say for one moment that Montreal does not need another hotel, but I do say that if Montreal has got along for the last two or three years without another hotel they should be able to get along for the next two or three years

and permit the plumbing supplies which will be used in the hotel to be made available for houses for veterans.

Once we solve the problem of slum conditions in Canada; once we solve the housing problem of those in the lower third of the income brackets, then we shall have solved the problem of housing. I think it is just as clear and plain as that. Yet the minister tells us that Housing Enterprises is building houses which will rent at from $39 to $45 per month for four or five rooms. Such rentals are completely outside the capacity of the ordinary wage earner to pay. These dwellings are all right for the white collar worker or the person who has an income of $2,400 or $3,000 a year, but such rentals cannot be paid by the majority of the people.

I was sorry to see—I hope I am not doing the minister an injustice—that the minister anticipates that the rentals of Wartime Housing units may be raised because the municipalities want additional taxes. A six-room wartime house rents for $30. According to the Curtis report the rental paid by a family of low income should be 20 per cent of the family income. A rental of $30 presupposes an income of $150. The great majority of the workers in my constituency who are now in wartime houses are not earning as much as $150, and the additional overhead of $2.50 for local taxes is going to bear heavily upon them.

But most unfortunate of all was the minister's statement at page 3688 of *Hansard* that slum clearance is considered to be inopportune at the present time. I think, Mr. Speaker, that the right hon. gentleman does not appreciate the housing conditions in Canada if he believes that. I will admit that there are psychological maladjustments which will occur when people double up in houses. They are dangerous, and socially regrettable, if you like, but they are not nearly as serious as the problems confronting those who are to-day living in slum houses, whose bodies and minds are being warped by the wretched conditions under which they live. I should like to think that an attempt to clear slums would be carried out concurrently with whatever else the minister has in mind.

The minister also mentioned at page 3691 of *Hansard* certain principles which were actuating the government. One I have already mentioned, the dependence on private enterprise. Private enterprise will never solve the housing problem of Canada; I say again dogmatically, it cannot do it. It has done it in no other country I know of. The only solution is for the government to tackle the problem and solve it.

[Mr. Stewart.]

The minister also states—and this is interesting:

> If, however, with all the assistance we can provide for financing, materials and labour supply, the houses required to substantially improve the housing standard of the Canadian people are not forthcoming, then the dominion government will take a direct position in the housing field.

That I feel, sir, is a shadow perhaps of things to come. But it is unfortunate that the government has not yet made up its mind that it is going into the housing field, because circumstances will compel it to do so, no matter how much it may try to dodge the issue.

Our principal housing problem in Canada is that of the submerged third, those whose incomes are under $1,200 and who can get decent housing conditions only when houses are subsidized or are built in such a way that low rentals are made available to them. Perhaps the house may think that I labour this point unduly, but the facts are on the record. The need for low rental housing is obvious to anybody who travels through the big cities or almost anywhere in urban areas.

Many of us receive pamphlets and publications from companies perhaps with an axe to grind. All of us are in receipt of the monthly bulletin I have here from the Imperial Oil company. A few months ago, in presenting their own social security plan within the company, they gave us an interesting table which shows that out of fifty persons at the age of sixty-five, four will have retirement incomes, four will be virtually penniless but able to work, forty-two will be without income and dependent on charity or the state. In other words, to put it into percentages, at the age of sixty-five, ninety-two per cent of our people have no incomes and no financial reserves. Surely it is obvious from that, that the people of Canada are still working with insufficient incomes.

But even more interesting and rather more specific is this quotation which I should like to give from a magazine called *The Montrealer,* which is distributed among the members of this house. It is an advertisement in the March issue. It is headed, "Gold is Where you Find it," and it says:

> One section of Montreal, about fourteen miles square, is unique—"The gold vein" of the island.

In this area about fourteen miles square are housed some 14,000 families of this particular class, on the slopes of Mount Royal and Westmount, embracing St. George's and St. Andrew's wards, Westmount upper and lower level, Notre Dame de Grace, Hampstead, Montreal West and South, and Outre-

mont. The advertisement goes on to pose the rhetorical question: How does "the gold vein" live? It proceeds to inform us how the gold vein lives. It says:

"THE ACTIVE" constitutes the younger element—the offspring of "The inactive"—junior executives, the junior clubmen of town, their young wives, the debs and subdebs of town, young ladies of affairs.

I have no idea what sort of affairs they are. It goes on:

"He" and "she" play golf, tennis, badminton and bridge. They ride, fish, hunt, ski and skate. They travel in smart sport cars. They drink and smoke and, most certainly, they entertain their friends and do it in a lavish manner.

Meanwhile Europe starves!

"He" wears flannels, golf pants, sport shirts, and his hats have to be just so. His feminine prototype is known for her smart coiffures, the very latest in perfumes and cosmetics, her enviably correct sport shoes and swanky evening gowns. Together, they buy anything the imagination can create, and there is continual competition to own it before it has been discovered even by the other alert "he's" and "she's" of "the gold vein." Quality is their criterion. They are "the people other people follow."

And "THE INACTIVE"? Never were quotation marks better placed than around that word, for it doesn't look as though they do much more than sit and sit. But don't fool yourself! They are merely the "active" grown older, and their minds are active still and decidedly mature. At their every decision the market goes up or down a point or two. "He" and "she" wear the very finest clothes. "He" is a connoisseur of food, liquors, liqueurs and wines. "She" is interested in the newest fashions and clings to all that she found enjoyable and comfortable in the past. Both patronize the theatre and the arts, take cruises and can always be counted upon for substantial subscriptions to charity and cultural endeavours.

Those are the people of "the gold vein," Mr. Speaker, and these 14,000 people in "the gold vein" in the city of Montreal have collective incomes which are greater than the total earnings of the wage earners in the provinces of Prince Edward Island, Nova Scotia, New Brunswick, Saskatchewan, Manitoba and Alberta. These 14,000 families have assessed incomes of almost $135,000,000. The wage earners in the provinces mentioned have incomes of almost $125,000,000. These people in "the gold vein" in the city of Montreal can afford fine houses. Where do they get the money? By exploiting the people. These are the people who to-day can still get large dividends from industry. There is no hint of inflation apparently when we are told that the dividends paid by corporations in Canada were $5,000,000 greater this month than in July of last year. But let the steelworkers ask for a minimum wage of $33 a week; that, sir, is inflation of the foulest type and must be stopped. I should be inclined to agree with the government's policy if I saw them preventing this distribution of unearned income in Canada to these people in "the gold vein" who to-day are living so well. That is how one section of the people live—"the gold vein". But go up to the parliamentary restaurant any time and look over into the city of Hull. The Hull police department reported recently about seventy-five buildings which contained 112 dwelling units which, in turn, contained 123 families. Only six of these seventy-five buildings were habitable. Thirteen of the buildings had indoor toilets, thirty-eight of the buildings had outdoor toilets, twenty-four had none at all. These are the people we have to help, these are the people whom the government is not helping.

But I should like to speak of an area of which I have some knowledge, my own city of Winnipeg, a young city, and yet one which has slum conditions which are an eyesore and a shame, not only to Manitoba but to the Dominion of Canada as a whole—and at that our slums are not so bad as those which exist in the eastern part of Canada. According to a census taken at the beginning of this year in my constituency, in which there are some 78,000 people, there were only nine vacant houses in January; eight of them were unfit for human habitation, and one was so broken down that no one could occupy it, and indeed there were no "to let" signs out at all. I went around to some of the slum homes. We have in Winnipeg a first-class health and sanitation department, of which Doctor M. S. Lougheed and Mr. Fred C. Austin are in charge, and it it was through their kindness that I was able to see some of these slums. I had seen them before; they have not improved with keeping. I went around with an able young inspector, Mr. George Kelly. I am not going to tell parliament about all the houses I saw, but this is symptomatic of affairs as they exist. I went to one building with nineteen rooms, and there were seventeen family units living in it. It was a frame building, dilapidated and down-at-heel, rented out to one of these pestilential house farmers. As one went in the door one was almost hit physically in the face by the foul and fetid stench in which the people were living. Here was the smell of cooking, of putrifying garbage, and of human excrement. Windows were broken in almost every room, patched up here and there with burlap or with paper. There was the occasional curtain, so dirty and grimy as scarce to deserve the name of curtain. Plaster in every room was cracked, broken, stained, perhaps with rain dripping down it, more often with the desiccated bodies of vermin which had been squashed to death

on the walls. In most of these rooms the gas stoves were not properly working. I walked into one room where a young soldier had brought his wife that very day from hospital where she had given birth to a baby. She was heating water on a gas stove, which was leaking, to bathe the infant. The room was 14 feet by 10 feet, and they were condemned to stay there and to bring up the infant in such surroundings. In every room there was a slop pail, of course. It was used for garbage and everything else, often for lavatory purposes where there were children, because there was only one toilet in the whole building, only one bath for all these people. The beds were dirty and in many cases foul. I came across one old man lying in bed and we asked him the stock question, "Are there any vermin in here?" He said, "Hell, no, not even a bedbug would live in this place"; but he was wrong, because every time we lifted up a mattress there were colonies and clusters of these vermin just waiting for the onset of night to begin their daily meal.

It may be said, why do not these people improve their conditions? Are they so lost to all sense of decency that they want to live there? No sir, they do not want to live there, but we have conditioned them to such a state that they do live there now.

Let me quote from Mr. Austin's report. As I have said already, he is chief inspector of the division of sanitation and housing in Winnipeg. This is from a report which he read at the annual general meeting of the Canadian institute of sanitary inspectors in Toronto in May. Speaking of these areas, Mr. Austin said:

> Infectious diseases spread rapidly in such areas. Offenders against the criminal code have their haunts in such areas. Juvenile delinquency rears its ugly head in such surroundings and sexual promiscuity is more or less commonplace, primarily due to the lack of privacy. Common use of inadequate plumbing fixtures is also a factor here. These all have their perpetuation, if not their origin, in the decline in the will, or wish, or ability on the part of the submerged, to overcome the handicaps of inferior accommodation, congestion of population, vermin infestation, dirty rooms and habits, general slovenliness, and the acceptance of debilitated living standards, due to a decisive breakdown in their morale. The latter is a concomitant of a debased standard of living, and to expect these people to get out of their ruts of their own accord or effort, is to expect them to raise themselves by their boot straps.

It is these people whom we have to help, it is these people whom the plan of the right hon. gentleman does not help, because as a principle he abjures subsidies, as a principle he will have nothing to do with them. He says: Let the municipalities and the provinces attend to subsidies. He is going to find out that it is financially impossible for the provinces and the municipalities to remove these sore spots from all across Canada. I should like to extend an invitation to the Minister of Reconstruction and Supply, and I should be quite prepared to pay the financial cost of such invitation. It would cost me six dollars and a quarter. I should like the Minister of Reconstruction and Supply to find out these things for himself; I invite him to come to Winnipeg and to live in one of these hovels, and when he comes back to Ottawa his mind will be radically changed, sir, about slums and how soon they should be eradicated. I said I would give him six dollars and a quarter. He may feel that that is not unduly generous, but his government feels it is generous enough for the old people of this country. That is the weekly allowance of an old age pensioner, and since the government asks old age pensioners to inhabit these hovels, I think it is reasonable to ask the right hon. gentleman to do the same. Out of this six dollars and a quarter he will pay $4 for rent, and from the $2.25 left he will supply himself with all the food he needs to keep body and soul together. If he is willing to undertake the experiment, I shall be very glad indeed to pay up the six dollars and a quarter.

I want to point out that there is a lot of talk in this house about economy, about saving dollars and cents. Mr. Speaker, saving dollars and cents is not nearly as important as saving human lives and human respect. That is much more important than the financial economies we can make. But, speaking to this question from the point of view of dollars and cents, let me remind the house of certain reports which have been made. For instance, in 1935 there was a survey and a report made to the city of Detroit housing commission which showed that in the slum areas the death rate from pneumonia was three times as high, there were five times as many crimes, six times as high an infant mortality rate, ten and a half times as high a tuberculosis death rate, and fifteen times as many criminals in a small area as compared with a normal residential area. Surely, sir, there is an extraordinary extravagance with human lives and human happiness in these slum areas. Or let me refer to the city of Cleveland, Ohio, which made a survey of a blighted area which houses 2·5 per cent of Cleveland's population, and it was found that over a ten-year period this small area had 21 per cent of the city's murders, 12 per cent of the city's cases of

tuberculosis, seven per cent of its juvenile delinquents; and eight per cent of the city's relief families.

But again let me come nearer home. Let me take my own city, where a similar survey was made in 1935 by the city health department. The department took two areas in Winnipeg, area 1 being the Assiniboine river north to Notre Dame avenue and Red river west to Sherbrook street, area 2 being Notre Dame avenue north to the C.P.R. tracks and Red river west to Sherbrook street including all Point Douglas. In other words, they took areas in the constituencies of the hon. member for Winnipeg North Centre and myself. What did they find? They found this:

	Area 1	Area 2	Rest of city
Infant mortality per 1,000 live births	50·2	52	43
Scarlet fever and diphtheria per thousand	13·6	15·7	7·5
Tuberculosis per ten thousand	4·6	7·9	2·9
Municipal hospitals annual admission per thousand	7·2	10·5	3·9
Public wards admissions per thousand	91·1	101·4	52·9
Juvenile court cases from public schools per thousand students registered	16·9	23·7	11·5
Arrests per thousand	21·1	52·2	6·5
Venereal disease clinic per thousand	5	16·5	1·8

The population in the first area was 29,479, in the second area 23,246, and in all the rest of the city 170,292. This committee found further that the cost of social services such as police, municipal hospitals, children's aid societies, General Hospital, St. Boniface outdoor clinic, social welfare and children's bureau in area 1 was $257,000 and in area 2, $381,000, while for the rest of the city it was $612,000. If the cost of social services for areas 1 and 2 had been at the same rate per thousand of population as for the rest of the city, the cost would have been $189,000 instead of $638,000, thus saving the city of Winnipeg roughly $450,000 per annum. Surely no additional proof is needed to show the extravagance and wastefulness of slums in this country. We can eradicate slum areas and build decent homes for the people and save money in the long run. That is looking at it from the financial point of view. From the human point of view we can give the people of Canada an opportunity for gracious living which they have never known before.

The right hon. gentleman's reputation stands high, and deservedly so, for what he did in the line of production for the war effort. He can make that reputation even higher if he grasps the immensity of the problem that confronts him and realizes that it can be tackled only by the help of public funds.

It would be entirely negative were I to criticize without offering some suggestions of the type of policy which the minister should follow. In the first place, the federal parliament, I believe, eventually will have to pass enabling legislation to which the provinces can adhere, and this legislation will contain in it provisions for a tremendously enlarged programme of research into problems of house building in Canada. It might even go so far as to have an experimental area where these houses could be constructed and people could live in them.

The dominion government will have to be prepared to take the responsibility to a large extent financially, even perhaps as high as ninety per cent, to provide loans to provinces and regional areas in order to wipe out these festering blots called slum areas. The federal parliament will have to make money available for low rental housing all across Canada. This is not a local problem; it is not one particular city's problem; it is a Canadian problem. I submit therefore that only the Canadian House of Commons can tackle it adequately.

Loans which are advanced will have to be far beyond those at present envisaged. Loans should be for a minimum of at least forty-five years, and the interest rate must not be any higher than two per cent. We shall be asked, how can we afford it? If we go to the people and borrow at three per cent and lend at two per cent we shall have a financial loss. I do not think that is so. Assume for the moment that we raise a billion dollars from the Canadian people for a special housing loan —and that money would be readily forthcoming—we could lend it at two per cent. Despite the confusion which exists in the minister's statement as to whether the national income depends upon housing or housing upon the national income, I suggest that the increase in national income would be so marked that the Department of National Revenue would get back far more than the ten millions which we had apparently lost by lending the money at two per cent.

But if both houses passed enabling legislation, the provincial legislatures should also be encouraged to do the same thing, and I do not think they would require very much

encouragement. The provincial legislature which to-day refused to take advantage of such an offer from the federal government would not exist beyond the next election, we can be sure of that.

There should be created in the provinces, departments responsible for community planning under the jurisdiction of a cabinet minister. I should like to see the matter of housing under separate portfolio in this parliament, but I am content at present to see it in the hands of the Minister of Reconstruction. The responsibilities of these departments of community planning would include the defining of various metropolitan areas and regions within the province, so that enabling legislation might permit them to establish community planning and housing commissions in such areas. I think it is a mistake, if the government is going to go into housing, as I think it will, to deal directly with the municipalities, because they are too small. We have to deal with metropolitan areas, and, in rural areas, regional divisions. Any moneys granted should be granted to the provincial governments, who in turn would channel it down to the metropolitan housing and planning commission and the regional housing and planning commission.

Of course it is obvious that these metropolitan and regional areas could be used for other administrative purposes, such as health, education and social services. The province would enter into an agreement with the dominion government which also, I hope, would have a department of community planning and housing, with loans to enable the metropolitan and regional commissions to undertake planning for future development and redevelopment, the acquisition of land for urban and regional development and housing construction, such as community centres and so on, and rental subsidies for tenants whose income is less than $1,000 a year.

Let us remember that almost one-third of our people are in the income brackets of less than $1,200 a year. These are the people whose houses would have to be subsidized. Above that level it is possible that, with ingenuity, we may have housing schemes built so economically that we shall be able to rent houses to those earning above $1,200 a year, and rent at reasonable rates.

This department should allocate dominion loans to the various metropolitan and regional commissions with the aid of the provinces. The local government has to take an important part in this picture, because while we may keep centralized control; while we have a centralized policy, to make it work we must have decentralized administration, first through the province and then through the regional group. It is on the level of local government that the question will be decided whether good modern housing will be provided for those who need it. It will be only with the support of the whole local community for the planning scheme that any worth while action will be taken. With the exception of the land speculator and the jerrybuilder, community planning and housing is beneficial to all. It helps the home owner by reducing taxation; for slum clearance lightens the cost of fire, police and social services, and makes property values more stable. It helps the tenant by offering a good house in a nice neighbourhood. It helps the small storekeeper by leaving more of the consumer's dollar for food, clothes and furnishings. It helps the business man by providing a planned locality for his factory, with maximum traffic advantages. We should note that it is very important that this planning be done not in the sense of individual housing units but in the sense of complete areas. Such a scheme helps the municipal governments in the metropolitan area by relieving them of the drain that slums made upon their budgets, and offering them security for the future in planned development.

I could pursue these ideas very much further, Mr. Speaker, but my time is almost gone. I only want to point out to the right hon. gentleman that facts are already available showing that private enterprise is not going to do the job he wants done. Plans are available showing precisely what the government should do and what in my opinion it will be compelled to do by force of circumstances. At the moment the government has given no appearance of facing the fact that our problem lies in the lower third of the population of this country; and until it applies itself seriously to building houses for the submerged third of our people, the government consigns itself to impotence while it condemns the Canadian people to frustration.

Mr. STANLEY KNOWLES (Winnipeg North Centre): Mr. Speaker, I rise to join in this debate for a few moments because, like the hon. member for Winnipeg North (Mr. Stewart) who preceded me and the hon. member for Weyburn (Mr. McKay), who spoke a little earlier, I feel the time has come to speak plainly to the government about its housing policy.

During the last few years the problem of housing in this country has been very serious; yet we had on our hands the needs of the war. We in this group did our best, while pointing out the impending difficulty which

now confronts the country, to be constructive in our suggestions to the government and not hamper the various items of housing legislation that were brought before us. Each time we have had under consideration some new measure, or the amendment of existing legislation, we have pointed out that it was inadequate, but recognizing that at least it was an attempt to improve inefficient legislative machinery we hoped it would have some beneficial result. But now the war is over; we are thinking in terms of reconstruction and the future; and I think, as do all the members of this group, it is time to point out to the government that it has failed miserably in dealing with this problem, and that as long as its mind is set on some of the principles to which it adheres it will not solve the problem that is facing the Canadian people.

The hon. member who has just taken his seat made it clear that what we need in this country is not just a target for so many housing units per year; what we need is to tackle the whole problem of the conditions under which our people are living. I dare say some hon. members felt that my hon. friend's description of the slum conditions in the area which both he and I represent in the city of Winnipeg was, shall I say, picturesque. It was partly because of that portrayal that I felt, even though my colleague had covered the subject so well, I could not refrain from saying something at this time. It is not good enough to go on telling the people who are condemned to live in these impossible buildings that theirs is a problem which must wait until some other angles of the problem have been dealt with. I have suggested before, and I suggest again, that there is no time like the present to tackle the problem of slum clearance in some of the most disgraceful areas to be found in some of our large cities. I urge upon the minister and those under him who are dealing with this matter that even yet they give consideration to taking an area such as that along both sides of the main line of the Canadian Pacific railway which divides our two constituencies, clear out the buildings which are not fit for human habitation, and really establish in that whole area decent living conditions for the people, who incidentally are workers who produce enormously in terms of wealth for this country.

When I first rose I said if the government adheres to its present basic policy it will not get anywhere with this whole problem. I have in mind the statements the minister made, as recorded in *Hansard* for July 22 at page 3690 from which page my colleague has already quoted in part. At that time the minister admitted to us that there was a real problem. He said:

> That a deficit of housing will confront us for some time to come is virtually certain.

Then he went on to say:

> At the same time, I can assure hon. members that no effort will be spared by my department and by the government as a whole to meet the deficit, to relieve a critical situation.

Further down on the same page he summed up the main principles underlying the aims and objects of his department, and gave this as number one:

> High priority. Adequate housing for the Canadian people is one of the major tasks before us. The utmost effort will be directed towards meeting this need, and the resources of the country will be used to this end.

When one hears forthright statements of that kind one expects the government to mean them, and that nothing will stand in the way of the government's determination to get houses built to meet not only the immediate need in terms of housing units but also the need in terms of better standards of housing and the improvement of whole areas. But having said that the minister immediately went on to say, referring to his department and his government:

> It is the policy to ensure that as large a portion as possible of housing be built by private initiative.

Well, Mr. Speaker, I could, but at the moment I am not going to, enter into an argument as to the respective merits of private and public housing, but it does seem to me this is the crux of the matter as far as this government is concerned. It says nothing will be allowed to stand in the way; then immediately afterwards it says: We are fastening our flag to the mast of private enterprise. It seems to me the government needs to turn its policy right around and say: Our first concern, the first item in our policy, is to get houses built. But as one goes through the speech of the minister, and as one goes through the legislation we have before us, it becomes clear that the government's first concern is not the building of houses. The government's first concern is the maintenance of private enterprise in the field of housing. I insist that what we want is not the enunciation, first of all, of the method or the principle by means of which the end is to be achieved, but rather the determination that that end is to be achieved. The need is recognized by the minister as well as by the rest of us; for even when he gives his plausible

reasons for not going ahead with slum clearance he is making an admission that the problem is there.

Then, respecting the government's activity in the housing field, the minister went on to say that the government is there only because it has been forced into it. But the thing that annoys us, entirely apart from the fact that we are dealing with differences in political faiths, is that we represent a people who are sorely pressed by these needs, and we hate to see loyalties to a way of doing things put ahead of a determination to meet actual needs.

On the next page the minister said this:

> We are in these endeavours because in each instance housing of this type would not otherwise be forthcoming. We would be very happy to withdraw, but there seems no immediate prospect of housing of this type being produced by other means.

All the way through the government's attitude there runs that refrain—that they do not like being in the housing field; that they would be happy to withdraw. They want to get out as soon as possible. Again I quote from the minister's remarks:

> I hope that the dominion government's direct participation in the housing field will reduce rather than increase, but we are determined to see that an adequate number of homes are built in Canada in the future.

If the minister will stand by the last half of that sentence, I shall go down the line with him, because it implies that he is willing to throw over his prior insistence that they are going to stick by private enterprise. Surely after the observations of the hon. member who has just taken his seat the house is not going to be satisfied with legislation that will leave us with a worse situation a year hence than we now have, and which does not tackle the needs of our people who are living in substandard homes and in slum areas.

Again at page 3691 the minister said this:

> The dominion government has made and will continue to make adequate provisions to make the financing of low and moderate rental housing projects possible. But subsidies to create uneconomic rentals are, in my opinion, a matter for provincial and municipal concern.

In that statement, as I see it, the minister not only throws the responsibility back to the provinces and municipalities, but he begs the question by referring to subsidies as involving the creation of uneconomic rentals. On the other hand the government by its housing legislation, and by all the various financial provisions the minister has announced from time to time, is doing just this for the financial interests. It is quite prepared to back the life insurance companies and lending institutions. It is prepared to take the risk completely out of the hands of private enterprise in the housing field, which is supposed to be the lifeblood of private enterprise, and yet is not prepared to come to the assistance of people at the point where it will do the most good, namely in connection with the actual subsidizing of houses so that our people might begin to get more decent places in which to live.

I rose particularly to support whole-heartedly the appeal made by my colleague from Winnipeg North (Mr. Stewart), and also to say to the minister that while members of the government may have thought we were hard on them in other years when discussing their housing legislation, they will find that this year by comparison we shall be much more critical. We are now in a period of peacetime reconstruction, and we are convinced that this sort of thing does not meet the needs of our Canadian people.

Mr. E. D. FULTON (Kamloops): Mr. Speaker, I rise to criticize the government for its failure to provide adequate housing legislation in the past, and also to point out where the present legislation will prove inadequate for the future. To that extent I am in agreement with the last two speakers, particularly, who did not hesitate to criticize the government, but I do not agree with them in many of the specific criticisms they have made.

I believe it is essential in this respect that we should clear our thinking on the question of low-cost housing, or the providing of low-rental housing for people in the low income group. To my mind that is an absolute necessity. But the fact that it is necessary to provide subsidized housing for those groups does not mean and does not imply that the government must go into the housing business. The fact that the government subsidizes housing does not mean that it must enter the field of the building of houses.

Listening to both hon. members from Winnipeg one would imagine that they believe the solution to the problem would be for the Minister of Reconstruction (Mr. Howe) to go out with a hammer and nails and build houses himself. I do not believe that is the solution. To my mind the solution would be for the minister to give real and efficient direction to an effective housing programme which would clear the tracks for people who know the building business, and make supplies available for those who are ready to build.

As it strikes me, the confusion in the minds of hon. members of the C.C.F. is that they believe that in order to have anything done the government must get into the business

itself and, in this instance, have companies formed to build houses. I do not believe that that is the solution. It is true that every housing report I have seen indicates that some measure of subsidized housing is necessary to provide those in low-income groups with adequate living accommodation; but this does not mean that the government must build the houses. What they must do is tackle the subsidy problem, and particularly the supply and control problem, and make it possible for builders to go ahead and build, as they are ready to do.

I should like to interject here that if the slum conditions in Winnipeg are anything like those outlined by the two hon. members from that city who have just spoken, then I agree with them that the government cannot stop until it has found a solution for that problem. It must tackle the housing question as a whole. It cannot stop and say: Well, we will not tackle slum clearance at the present time. If conditions are as the two hon. members have stated them—and I have no reason to doubt what has been said—then the government is most certainly open to violent criticism. The minister cannot say: We shall not tackle this problem of slum clearance at the present time; we will wait until we have done something else. The thing must be tackled as a whole, or it will not be cured as a whole.

In making a criticism of the government for its delay in beginning to solve the housing problem, and because the programme it advances now is not sufficient, I would recall to the minds of hon. members what the hon. member for Vancouver-Burrard (Mr. Merritt) said this morning, that the minister's statement and the forecast which he made, even as far as it goes—and that is not far enough—is approximately a year too late. We all remember that the password in the first two years of the war was "too little and too late." We urge the government not to let it be said in the post-war period that they have introduced that watchword into the Canadian housing programme. If the government had faced these facts a year ago, when all opposition parties were doing their utmost to point out the seriousness of the situation, we might now be well on the way toward betterment of conditions—which the minister says will not arrive now until late next year, or possibly 1948. The minister was a year late in starting, and even now he is not going far enough, because, to judge by his own words, he is not prepared to tackle this question of slum clearance. But mainly, he is not going far enough because he is not tackling the real root of the problem, the question of getting supplies to the builders so that houses may be built.

I want to emphasize that, in western Canada at least, we know that materials are available in the raw state. All we need to do is to get them out and then manufactured. We have the builders available if we can get the supplies. It is not necessary for the government to set up any more housing or construction companies; all that is necessary is for them to solve the problem of getting men into the woods to get out the supplies and then have them manufactured so that the builders can use them. In this connection I should like to refer to a statement which the minister made just a week ago when he was discussing this housing question. He was questioned, by the hon. member for Vancouver South and the hon. member for Vancouver-Burrard in particular, as to what he was doing to readjust the price structure, or what other steps he was taking to make sure that supplies flowed in a measure adequate to meet the construction programme which he had outlined. The tenor of the minister's replies was that there was no delay in producing supplies because of an unfair price balance. He is reported on page 3706 of *Hansard*, in reply to a question put by the hon. member for Vancouver-Burrard, as follows:

> Can my hon. friend tell me of a case where production is being curtailed by unbalanced prices?

The hon. member for Vancouver-Burrard referred to-day to a survey which had been undertaken by the British Columbia Lumber Survey Limited, representing some eighty lumber manufacturing companies. In a letter which I have here they state the following:

> I observe that Mr. Merritt was asked to name one case of curtailment of production which has been due to failure to get a fair price from the wartime prices and trade board. I suggest that Mr. Merritt ask the minister what the situation is in regard to doors. He might also ask how much flooring he expects to make when the price of fir flooring is less than the price of the flitch before they cut it.

Fir flooring was referred to this morning by the hon. member. The situation with regard to doors is one case where production is being curtailed by an inadequate price adjustment. I know that is a fact because in Kamloops, which is a city of some 8,000 people, there is a construction project of 100 houses being carried on under the auspices of Wartime Housing Limited. An increase was recently authorized of forty additional houses. The first 100 have been under construction since August of last year, and so far only forty-five are ready. One reason why the completion of these houses has been

so slow is that they were held up for doors. There is certainly a case where the construction of houses has been slowed down because no proper steps have been taken to encourage the manufacturers to make one of the essential parts, namely, doors.

It is not enough for the minister to attempt to brush off this question by making a blunt statement that construction is not suffering. Construction is suffering, and the results are something that Canada should be ashamed of. As I say, this project in Kamloops has been held up because of a lack of doors, one item which is in short production as a result of not meeting this price question. I should like to direct attention to an incident that took place the other day and which was occasioned by this lack of housing. The following appears in a letter which I received three days ago from a citizen of Kamloops:

> We have had one tragedy this past week where a poor little expectant mother who was housed in impossible quarters had to be taken to the hospital and lost her baby. In several cases the husbands have been told by the doctor that some change in dwelling conditions must be made to give the mother a chance of successful pregnancy.

That indicates the results of this shortage of housing. As the hon. member for Winnipeg North said, the minds and the welfare of the Canadian people are being warped by the perpetuation of these conditions. That is why we criticize the government for being too late; that is why we criticize them for doing too little when they try to face the problem.

There is a question I should like to ask the minister in connection with the Wartime Housing Limited programme in my own city. I notice that he is reported on page 3682 of *Hansard* as having said:

> As I mentioned earlier, the 1946 Wartime Housing Limited programme is now committed to some 4,700 units. It is not our intention to proceed with more of these units during the current year. Future operations of Wartime Housing Limited will be dependent upon the 1947 programme for housing . . .

I hope when we get into committee the minister will give some further explanation and tell us why it is intended to cut off the operations of Wartime Housing Limited at that limit this year. This is one of the agencies in existence which is potentially capable of helping solve this housing shortage.

Mr. Speaker, the facts which I have just given with reference to the situation in Kamloops are duplicated all across the country. I mention this case because it is an illustration of the difficulties encountered in attempting to provide additional accommodation in our cities. This situation leads me to make certain suggestions to the government as to how it might further help relieve the shortage of accommodation. I suggest that there be even more coordination of the housing agencies within the government. The suggestion was made by this party at the last session that there be set up a ministry of housing. This suggestion was acted upon to some extent when a housing coordinator was appointed, and when more recently all the housing activities of the government, including a part of those carried on under the Veterans Land Act, were brought into the one Department of Reconstruction.

But there is still conflict between the agencies in the minister's own department, and considerable confusion of direction. For instance, there is confusion in the minds of those trying to obtain emergency shelter as to whether they should deal with War Assets Corporation or the emergency shelter supervisor in order to obtain surplus military accommodation. I suggest to the minister that he approach the Department of National Defence and work out a plan whereby military buildings which may be wanted in the future and which the department is not at the moment willing to declare surplus be placed under the control of the emergency shelter supervisor so that he in turn can make them available to the municipalities to provide shelter in this desperate emergency.

To refer again to Kamloops, there are certain buildings there which the army is reluctant to declare surplus because they feel they may need them to meet their own requirements in the future. They are not available through War Assets Corporation, and yet they are vacant. If the minister and the Minister of National Defence could work out a plan whereby supervision over these buildings could be given to the emergency shelter supervisor, I think it would do a great deal to relieve the immediate shortage.

In addition I suggest that when the buildings are declared surplus they be disposed of through the emergency shelter supervisor rather than through War Assets Corporation, in order, again, that all questions having to do with housing and accommodation may be coordinated under the one agency.

Another specific suggestion which I should like to make has been advanced already to-day by the hon. member for Vancouver North (Mr. Sinclair), and that is that the licensing powers be taken back under the control of the minister's department. At present they are exercised by municipalities, but the municipalities are, as the hon. member pointed out, subject naturally to pressure from concerns who want to start business within the limits

of the municipality. Take for instance a small city on the main line of a railway. Some large concern might well approach the city and say: We should like to build a large warehouse here, employing probably ten or twelve people, and it is important to us to start early on this construction. The city council may say: We have a housing shortage and are giving priority to housing. The concern will say: We are sorry, but we shall have to go to such-and-such a town. And since the city hates to lose the business, they are on the horns of a terrific dilemma. Shall they deny a licence to this business concern and so lose potential employment for their people, or shall they give a licence for employment for their people who then will have no houses built? It is not fair to put the municipalities in that position. Further, there is no point in giving the municipality control over permits for building when at the same time you do not give them control over priorities for building materials. I raised that point in conversation with one of the city councils and they agreed entirely that, without control over priorities of materials, the power to licence was meaningless. It is meaningless, and I suggest therefore that the minister take the licensing power back and keep it within his department, where control over the allotment of materials now lies. Further I suggest that he make control over the allotment of materials a really operative control. I suggest that so far as our province of British Columbia is concerned he examine the brief of the organization to which I have referred, and I think he will realize that control over the allotment of materials, to be effective in that province, must be handled through the retail outlets, who will make the supplies available in turn to the contractors. I am sure that if the minister would make that study he would find at least in our part of the country, that that system could be worked out. We have the facilities and the materials, and the contractors are most anxious to get to work and build houses to end the housing shortage.

Mr. J. O. PROBE (Regina City): Mr. Speaker, I think the Minister of Reconstruction and Supply (Mr. Howe) should, before we enter the committee stage, satisfy the members of the house that he is going to do something beyond what he outlined a week ago to meet the housing shortage in this country. Unquestionably the minister has done nothing about the low-rental housing problem, and no department of government or any public or private agency except his own department is in a position to do anything about it. The minister should give us some assurance of early action on that specific problem. I hope that in the committee stage he may see fit to add a clause which will allow him to come to grips with that phase of the problem.

Further, I should like the minister to tell us why the government is not prepared to adopt some form of the Swedish self-help plan for rural home construction. It has been stated a number of times in the house that under the National Housing Act there is possibly one loan in effect under that section which provides for assistance to rural home owners. I put it that way, a possible one loan, because when I conferred with the representatives of the Central Mortgage and Housing corporation they were unable to assure me that they could lay their hands on that one loan.

The government should investigate what other countries have been successful in doing in connection with housing. I should like to remind my good friend the hon. member for Kamloops (Mr. Fulton) and his party that even the Conservative government of Britain had to get into and subsidize low-rental public housing because it could not be done on a private enterprise basis. Surely that ought to satisfy my hon. friend's and his party's ideological viewpoint.

Mr. FULTON: I advocated subsidizing, but not that the government build them.

Mr. PROBE: I agree that my hon. friend mentioned subsidizing, but he and his party are definitely averse to any government or cooperative operation having any part in the building of houses.

Mr. FULTON: I would ask the hon. member where in our platform or in any of the party's publications he can find ground for that statement.

Mr. PROBE: My hearing is reasonably good. I might turn the question around and ask my hon. friend: Does he himself believe in municipal house construction? Apparently there is no answer. I think that is a vindication of the thing I wish to bring out, that his party stands for free private enterprise in all forms of activity, and therefore it is no stretch of the imagination to carry it into housing as well. But I have no wish to get into an altercation. I am simply pointing out that even Conservative governments in other parts of the world have found that private enterprise was incapable of providing low-rental housing. Private enterprise can only function at a profit, and low-rental housing is a non-profit, subsidized undertaking. Consequently private enterprise and low-rental housing simply will not mix.

I would ask the minister to explain to the house why a longer period than twenty-five years can not be provided for amortization. Also why is it not considered good business for the government to borrow or provide money at a lower rate than the present 4½ per cent which is permitted under the National Housing Act?

We should also have an explanation of why we are subsidizing builders to the extent of providing them with money at one-half per cent less than prospective owners, and why we cannot expand that concession, poor as it is, because the four per cent interest rate will not in my opinion meet the low-cost housing problem, even in part, to such co-operative and municipal building societies as are prepared to go into the housing field. It seems to me that if we are doing business we should do business with all prospective customers on the same basis, whether they be insurance companies, large building corporations, cooperative housing societies, municipal or provincial building societies. Surely this federal government of ours should be able to undertake the same form of contract with them all, and not put private building corporations on a preferred basis.

Then I think the minister owes this house an explanation as to why he has not gone into investigating fully the creation of a proper price ceiling on materials. I listened to an interesting discussion on the part of the hon. member for Vancouver North (Mr. Sinclair). As he developed his theme I wondered what point he was leading to, and I found that the Genesis and Revelations of his talk were: let us increase the price of lumber another $15 a thousand and we shall get all the building we require. Heaven knows we have increased the cost of building materials from $38 and $40, in the case of lumber supplies to $70 and $75, and we are still unable to get buildings completed. It is not a matter of raising prices; it is a matter of coordinating the entire construction industry. If we cannot secure a proper ceiling price which will permit individuals to acquire houses or builders to provide houses at a fair return to themselves, the minister has had plenty of experience with crown companies, and I for one would give him the green light if he were to create enough crown companies to get into the production business and show us that our natural products can be used for the citizens of Canada.

In the light of what the hon. member for Vancouver North said this morning, I believe the minister should reveal to the house what regional differences exist in the price of such things as logs, rough dimension lumber, finishing lumber, and the rest, throughout the various regions of Canada; give us an explanation as to why such prices exist, and, if possible, bring them into line so that there will not be the danger of flooding one market with materials to the exclusion of other parts of Canada. The minister did curtail somewhat the export of lumber and building products to other countries, but in my opinion he has not yet gone far enough. If the foreign market is too attractive to our cutthroat competitive businessmen, so that they would prefer to sell there in preference to dealing with their customers in this country, I think it is time we got a little bit rougher with people who have no other shrine at which to worship than that of the almighty dollar.

I intend to support the minister in the amendments which he is bringing into the house, but I appeal to him to do something further, because, while this is a temporary or a partial alleviation, it does not get to the root of the Canadian housing problem, and I am convinced that the minister is as well aware of that as is any other member of this House of Commons.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Macdonald (Brantford City) in the chair.

On section 1— "Corporation."

Mr. IRVINE: Before this clause carries, I want to bring one matter to the attention of the minister. I have information which would seem to indicate that a cooperative organization has been seeking to get support for their building programme through the act as it now exists, and I believe they have been refused. The association to which I refer was formed last fall under the sponsorship of branch No. 768 of the Canadian Legion in Vancouver. The purpose of the organization was to attempt to solve a veterans' housing problem by providing moderate rental accommodation on a mutual ownership basis. I understand that the Central Mortgage and Housing Corporation, while approving the technical details of the project, has refused the loan on the ground that, because this organization is a cooperative organization, it would not be a rental housing project but in essence a form of home ownership, and therefore is disqualified under the terms of the act. What I want to know is whether in the bill now before us there is provision by which associations of the type I have cited would receive financial assistance from the government housing scheme.

Mr. HOWE: The point brought up by my hon. friend is one which I attempted to explain in my remarks last Monday. He himself gave

the answer when he said that the association he suggests is not a true cooperative, it is an association of home owners. Take a typical case. Ten people desiring to own homes band together and call themselves a cooperative. They believe that the homes will cost $6,000 and are prepared to enter into a contract each to buy a home for $6,000. The cooperative has no other means of income except the payments due from these ten men who are home owners. We will say that something happens to the cooperative. We will say that one of the houses costs a good deal more than others; some foundation or other difficulty is encountered, or we will say that the whole project gets into difficulties; instead of the houses costing $6,000 they cost $7,000. Well, that is an incident which occurs in the course of business; prices and costs change; difficulties in building occur. Eight of the men might be able to go on and complete the agreement for a house costing $7,000; two men cannot do so. What happens to the position of those two? There is a collective agreement with the government. In other words, the group of ten are bound to carry out the obligation assumed by the ten, and two are unable to do their part. The other eight have the option of taking on the obligation which the two are unwilling to undertake, or the whole project is placed in default. Surely that is not a sound enterprise either for those who participate in it as prospective home owners, or for the government as a lending institution.

Mr. PROBE: The minister will recall that in the public accounts the auditor general himself drew attention to considerable underestimates in connection with certain housing and reconversion projects, notably in Montreal. The Department of Reconstruction or the National Housing Act administration met that cost in the case of the individual, and I do not see that any public furore was raised because of it. The auditor general drew attention to it because it was not according to the original contract; yet the minister supported it. What is wrong with doing that on behalf of the Canadian people generally instead of in the case of an exploiter?

Mr. HOWE: The home conversion programme was the government's own programme. The government was in a position to amortize its loss by extending the period during which it would collect rentals. But surely the government cannot underwrite every man's contract for a house, as it would be expected to do if the government assumed losses in the case of a cooperative formed by home owners who, instead of building individually, build as a group.

Mr. PROBE: Suppose there were some intermediary between the cooperatives, and the Central Mortgage and Housing Corporation. If we put a cushion in there to take on the guarantee against loss, would the Minister of Reconstruction consider an improvement in the terms under which he would do business with the cooperative?

Mr. HOWE: The government would be delighted to do business with the cooperative on the terms stated, provided that the cooperative has a source of income apart from the project itself. For instance, we would be delighted to do business with the Saskatchewan Cooperative Elevator company, which is now the Saskatchewan pool, or with any number of other cooperatives. We would be pleased indeed to allow the act to apply in those cases, but not to a group of home owners. There are other sections of the act designed for individual home owners. The type of organization suggested by the hon. member for Cariboo is not a true cooperative in the sense in which cooperatives are mentioned in the housing act.

Mr. IRVINE: I fail to see the point which the minister makes in answer to my question. I cannot see how the government would be in any worse position if two of the ten cooperatives failed to meet the original agreement than they would be if some private corporation failed to meet it. The house, if constructed, would be in itself the government's own security, and I cannot see that any great harm would be done in carrying on business with an organization of that kind. But I would ask the minister whether he knows of the housing bill in the United States, S-1592, sections 404 and 405. Is it true that they provide particularly liberal terms to mutual ownership or cooperative associations for the very reason that these associations provide a form of house ownership for families of low income, and would it not be possible to incorporate in this bill similar classes to meet the requirements of Canada?

Mr. HOWE: We are discussing the preamble at present. If my hon. friend will allow that point to stand until we come to the amendment dealing with that matter, I will look into the United States housing provisions and discuss the subject with him then.

Mr. GREEN: When the minister made his preliminary statement on July 22 he pointed out clearly and on more than one occasion that the dominion government would provide every facility to private enterprise

to build as many houses as were needed. He intimated that the government believes that the bulk of new housing for Canada will be constructed by private builders. My hon. friends to the left are very much against any suggestion of that type, but I think the minister was right in his summing up. On that same day I questioned him about priorities, about allotment of materials, about the price ceiling on lumber, and to the different questions he gave answers which, from information received from the Pacific coast since that day, are not strictly in accordance with the facts. I believe there is something the government can do to help private enterprise build more homes, certainly on the Pacific coast. In the first place, take the small builder. Ordinarily he gets no priority at all and he is having great difficulty in obtaining supplies. I have here a press dispatch of July 23 from Vancouver, in which there appears this statement by one contractor:

"I simply don't know what to do with my time," one contractor said. "I have no priorities and no material. I might as well fold up my shingle and go out of business."

That is the picture from the point of view of the small contractor. Then take the lumber yards. In reply to my questions the minister said that the lumber yards were making good money. At page 3707 of *Hansard* he said:

The retail lumber yards have never made as much money in their history as they have in the last year. I cannot imagine why they would close down.

That answer was given in reply to my statement that the retail lumber yards were facing difficult conditions. I have had telegrams since from different lumber yards in Vancouver. One is from Fletcher-Wells Lumber Limited, dated the 24th July, which was two days after the discussion in the house. I quote:

According to papers, Mr. Howe claims retail yards getting material same basis 1941.

If the minister will remember, he said that lumber was being allotted to the yards according to the material they got back in 1941. The telegram continues:

This is untrue. All retail yards here have no stock and cannot buy from mills. You have our authority to give him our name as one who cannot get stock and would be glad to give you names of every dealer in city in same plight. Understand all this information sent to Mr. Howe last week.

Presumably it would arrive here about the time the discussion was taking place in the house. I am not suggesting that the minister had it when he gave me the answer.

[Mr. Green.]

Mr. HOWE: Has not the lack of stocks in the yards some relation to the strike in the lumber industry, which closed all the mills for a month?

Mr. GREEN: I have no doubt that has made the position worse than it was before, but that is not the main explanation of the shortage. Dealing with the answer given by the minister to the effect that the wartime prices and trade board were allotting lumber on the 1941 basis, I have here a letter from B.C. Lumber Survey Limited, dated July 26, three days ago, which states:

The timber control office in Vancouver has informed the newspapers that they make no check whatever of local movements of lumber, whereas the minister has informed the house that domestic lumber is distributed to dealers on the 1941 basis.

I do not think there can be any doubt that there is no allotment made in Vancouver. I believe if one were made it would help remedy this situation by giving the retail lumber yard some lumber to sell, and the retail lumber yard in turn could make lumber available to the small builder. Then there is the matter of the small sawmill. This afternoon I received last Thursday's issue of the Vancouver *Sun*, on the front page of which I see an article headed "Extinction threatens 300 B.C. sawmills." The first paragraph reads:

The threat of closure before the summer is out to-day hung over close to 300 British Columbia sawmills, whose only hope of relief is action by the prices board to adjust lumber price ceilings. The threatened mills—half of the total number in the province—are those which buy their logs on the open market, where price ceilings are suspended on logs. But the prices they charge for their lumber are still fixed, making it increasingly difficult for them to meet expenses.

The article goes on to say, in part:

The mills are now completely regimented on fixed prices, below cost of production (in the vast majority of cases), and there are existing arbitrary quotas and regulations which preclude any clean-cut normal business proceeding.

The article makes it quite clear that, whereas the big firm which has its own timber limits, cuts its own logs and saws them into lumber, is not affected by the fact that there are ceiling prices on lumber and no ceiling prices on logs, the small mill that has to buy its logs is caught between two fires. It would be a great tragedy in the coastal province if these small sawmills were put out of business.

Mr. HOWE: If I may ask my hon. friend a question, who fixes the price of logs? Is it not the same small sawmill he is talking about, which is the only buyer of these logs?

Mr. GREEN: No, it is not.

Mr. HOWE: Then who does fix it?

Mr. GREEN: The logging men fix the price.

Mr. HOWE: Surely my hon. friend has heard of a buyers' strike. If the buyers refuse to pay these prices, where would the loggers sell?

Mr. GREEN: It is not quite as easy as that. It is not a case for a buyers' strike. If anything like that happens the big mills can simply hold their logs which they do not need to cut for themselves, and the small sawmill has to get them or go out of business.

Mr. HOWE: But surely the big mills are not the sellers of logs?

Mr. GREEN: Some of the biggest firms are. Nearly half of all the logging in our province is done by firms who have timber limits and also mills; they are huge interests, and they are being benefited by this price control which is in existence at the present time. The minister can interview anybody in the logging industry of British Columbia, and I think he will find that the price control system there is entirely out of gear. Further, in answering me the minister said that if the ceiling were taken off lumber and the price were to go up $20 a thousand it would mean an increase of from $600 to $1,000 in the cost of a house. The first reaction to that statement was this article which appeared in Winnipeg the next day, dated July 24, headed, "Western lumbermen say Howe's statement misleading, harmful." The article states:

> Approximately 12,000 board feet of lumber is used in the average small home built in this area . . . This estimated increase of $600 in the cost of lumber per home carries the implication that those responsible for the manufacture and distribution of lumber would impose upon their customers an increase of $50 per 1,000 feet, approximately 75 per cent.

Actually the minister's figures were based on an increase of $20 per thousand. The final paragraph states:

> The statement added that the association, whose members operate nearly 900 lumber yards in western Canada, considers such statements as Mr. Howe's "not only misleading, but definitely harmful, and feels they should be retracted."

Mr. HOWE: My hon. friend realizes that you cannot take ceilings off lumber and leave ceilings on nails and other materials entering into the construction of a house. Surely he would not suggest that; he is not wedded to the lumber industry to that extent.

Mr. GREEN: As this business is being carried on at the present time it is going to be difficult to get the number of houses the minister requires, and I am suggesting that he give further consideration to this question of the ceiling on lumber. The other day Donald Gordon explained to the committee on industrial relations what he was trying to do. He is trying to make these lumber people get their money out of the export of their material.

Mr. HOWE: Not at all.

Mr. GREEN: At the same time they are losing money in the domestic market. Human nature being what it is, the result has been and will be that these people will not produce for the domestic market if they can avoid doing so. Donald Gordon is quoted in the press of July 27 as saying:

> My job is to hold domestic prices and I'll use any weapon—any weapon at all—to do it. I'm holding domestic prices of lumber at a low level in relation to export prices because I believe the industry can still operate at an over-all profit. In other words the export market is subsidizing the domestic market.

I have a telegram here dealing with that question from Mr. Harold B. Collins, president of the British Columbia wholesale lumber and shingle association. It is dated July 23, the day after the minister made his statement in the house, and states:

> Vancouver *News Herald* to-day quotes Hon. Mr. Howe as saying that if ceiling prices were taken off lumber the price of houses would increase six hundred to one thousand dollars. We point out that a five-room all-wood bungalow takes approximately twelve thousand feet of lumber which at an increase of ten dollars per thousand feet would mean an increase of one hundred and twenty dollars per house or double this amount if prices were increased twenty dollars per thousand. Under present conditions with lumber in short supply through being sold in Canada by manufacturers at less than cost of production it requires several months longer to build than formerly. It seems reasonable to suppose cost of building would be reduced if contractor could complete building in less time which he could do if building materials were available. British Columbia wholesale lumber prices are approximately twenty dollars per thousand lower than export prices. It is not likely domestic prices would increase to this extent if ceiling were removed. Suggest you point out to Mr. Howe discrepancy in his figures which can be confirmed by any legitimate contractor and press for complete review of wholesale and retail prices of lumber in Canada by committee composed of manufacturers, wholesalers and retailers along with government representatives.

I suggest to the minister that this last idea is worthy of some consideration; in other words, that the whole question of wholesale and retail lumber prices should be carefully considered by a representative body. I also have a letter from the British Columbia Lum-

ber Survey Limited dated July 26, dealing with this matter of the increase in the cost of a house. They say:

The lumber contained is never more than 15,000 feet which would give an increase of $300 per house at the outside.

Mr. HOWE: An increase of $300 in the cost of a veteran's house is not important?

Mr. GREEN: Oh, yes, it is important; but actually, because of the way these supplies are being handled, the builder is forced to run around from one mill to another and from one yard to another, and he loses valuable time. In addition, I believe there is a black market, and all these things mean added costs which have to be paid by the man buying the house. I am not sure that the remedies suggested are the correct ones; they may not be, but in any event they merit the most careful investigation by the minister. The Vancouver *Sun,* which is a strong supporter of this government, said editorially on June 26 in an article headed, "Drop lumber controls now; how to build houses in Canada", by Roy W. Brown, the editorial director, who is a well informed and level-headed man:

You have a choice of two positions. You can maintain controls and have a scarcity of lumber with the many abuses which go with that scarcity; or you can take off the ceiling prices and pay more for the lumber, but have it in abundance.

That was his stand about a month ago. I come back to my opening statement, which was that the government is relying primarily upon the private builder to build homes; yet he is being given very little by way of help to do that building. I suggest that the minister have his officials investigate the points I have raised. If he does so I believe he may find that the situation will improve—at any rate, on the Pacific coast.

Mr. HOWE: I think I should discuss this question. In the first place, the department over which I am minister does not regulate prices. My hon. friend will understand that that is in another department of government—and quite properly so.

But I will say this: I have found the wartime prices and trade board ready to adjust prices whenever a manufacturer or producer can show a case for the increase.

Mr. GILLIS: They do it quite easily, too.

Mr. HOWE: However, he must show that under the present price set-up his operation cannot make a reasonable profit. It has been suggested to-day that Canadians are driving up the price of export lumber. That is not so.

Mr. GREEN: I did not suggest that.

[Mr. Green.]

Mr. HOWE: I know, but others did. Canadian lumber commands an export market, and it is quite irrespective of any action Canada could take. All the wartime prices and trade board says to the producer of lumber is this, "We want a certain proportion of your lumber. We set a proportion for various parts of Canada. At the present time it is 50 per cent on the Pacific coast, though it has been 35 per cent. We want that lumber. We are willing to pay enough for it to let you make an over-all profit. If we fail to do that, make your case and we will make an adjustment. But you must first make your case."

Surely that is a reasonable attitude. My hon. friend is interested in financial matters. I suppose he has read the financial statements of the principal lumber firms on the west coast, several of which are a matter of public property, and all of which are on file with the wartime prices and trade board. If he will read those statements I think he would not suggest for a moment that the lumber industry on the Pacific coast is not in an exceedingly prosperous position.

Mr. GREEN: The minister is referring to the big fellows; I am talking about the little fellows.

Mr. HOWE: The little fellow can also make his case. The hon. member is trying to confuse the issue when he says that the big fellow sets the price of logs.

Mr. GREEN: I am not trying to confuse any issue at all.

Mr. HOWE: The log-producing and log-buying industry is, for the most part, quite separate from the operations which combine both. The small mill, which my hon. friend is speaking about to-day, buys from the independent producer of logs. The small mill group sets the price of logs. As soon as the small mill refuses to pay the current price of logs, then the current price of logs will drop.

Mr. GREEN: What is to prevent a big mill, which also cuts its own logs, from buying logs from the independent log producer?

Mr. HOWE: Because they have their own source of supply.

Mr. GREEN: They are always glad to get extra logs.

Mr. HOWE: Perhaps so. Timber control in its earlier stages was controlling the price of logs. Effective control became almost impossible, on account of black market operations which again came from the small sawmill. We found that, while we had a

ceiling price on logs, the ceiling was being violated. Those who had given the matter greatest consideration recommended to me that in the interest of over-all production it would be desirable to maintain the ceiling on finished lumber, and take off the ceiling on logs. That is the usual method of applying price control, namely to control the price of the consumer product, and not the intermediate product.

There is a flurry in logs at the present time, due largely to the strike. No logs were produced for a considerable period during the strike.

Mr. GREEN: The price went up again a few days ago.

Mr. HOWE: Yes, but who buys them? If my hon. friend can show me that the big mills are bidding up the price of logs against the small mills, I shall be interested in exploring the situation. But that is not my information.

Mr. GREEN: I am told that small mills cannot afford to produce lumber at the price that is being asked for logs. That is sufficient consideration to merit an investigation by the Department of Reconstruction, or at least by the wartime prices and trade board. If that information is correct there will only be one result, namely that the small mill will go out of business, and there will be less lumber produced at a time when Canada needs lumber more than anything else.

Mr. HOWE: May I point out that all the logs which are cut are being sawed into lumber by someone. I do not think my hon. friend would suggest that the same number of logs will not be cut into lumber, or that the same amount of lumber will not be put on the market.

Mr. GREEN: Logs can be held in the water for a year.

Mr. HOWE: I should like to know of a concern that is holding them for a rise in price.

Mr. GREEN: You could not do anything about it, if they were?

Mr. HOWE: Could I not?

Mr. GREEN: No, not under your present law.

Mr. PROBE: Who is the timber controller, and what are his duties? Then, what are the prices of logs and rough lumber in various regions of Canada? I believe this information would be useful. I am alarmed at the concern shown by the hon. member for Vancouver South respecting the small operator, and particularly when I think of the way in which lumber prices in my own city have risen. It seems to me that if the small operator is suffering in the transaction, then the fellow at the other end supplying the logs is receiving an inordinate share of the total price. A statement showing the amount each of these individuals receives, from the tree to the finished house, would have considerable merit in this discussion. I know that in my own city lumber has increased in price since before the war from $40 to $75 per thousand. When I think of logs being worth from $6 to $12, I am inclined to think the difference is not all taken up by freight. Could the minister give a picture of the timber control situation, with figures?

Mr. HOWE: I have not the figures before me. Prices of lumber in various areas of Canada are different, having regard to the conditions in those areas.

Mr. PROBE: Freight conditions?

Mr. HOWE: No. The difference is largely governed by the amount of the product which goes for export. For example, on the Pacific coast the export quota was 65 per cent of the cut, this for historic reasons. The bulk of the coastal lumber has always been exported. Then, in the prairie provinces the export quota is two-fifths of the cut; in Ontario and Quebec it is one-third, and in the maritimes a different proportion.

The timber controller sees that the requirements of the home market are looked after in accordance with the formula set. He takes care of such priorities as may be issued by the director of priorities. He generally sees that the distribution of lumber conforms with the needs of the various areas in Canada. He has charge of the whole lumber programme and he functions with a staff of, I think, 300 persons. He has officers in all parts of Canada to see that the regulations are carried out.

Mr. PROBE: You have not discussed the prices of materials.

Mr. HOWE: Prices are such that the producer is allowed a reasonable margin of profit.

Mr. GREEN: There is no ceiling on logs.

Mr. MERRITT: Going back for a moment to the subject the hon. member for Vancouver South was talking about, I should like to add my voice to his in asking the minister to investigate the situation in British Columbia with respect to price ceilings and the supply of lumber. It is apparent to me from what the minister has said—and I say this

with all respect—that he is not as familiar with the situation there as are some of us who live in Vancouver.

For instance, the minister said that the lumber yards are doing better than they have ever done in their history. I understand that that is perfectly true of those located east of the rockies, but it is not true of British Columbia where the mills are direct competitors of the lumber yards and have simply forced them out of business. In order to get a return for its cut, a mill must take the retail price fixed by the board and not just the wholesale price.

The minister suggested that the financial position of companies in British Columbia was quite satisfactory and that, therefore, no price adjustment was necessary. Where do they get that profit? We who are from British Columbia know it comes from the export trade. As the hon. member for Vancouver North said, the domestic trade is carried on at a loss of something like $15 per thousand. There is another interesting thing about the structure of this industry. The minister referred to the large capital which had been built up on the export trade. These are the mills located on the Fraser river or at Port Alberni. In the normal days of peace their domestic trade was almost nil; practically 90 per cent of their business was export. Deep sea ships would come along their wharves, load and sail without coming near Vancouver.

On the other hand, a large number of mills —these are the mills referred to in the press report mentioned by the hon. member for Vancouver South—are domestic mills. Many of them are located along False creek in Vancouver, or in other cities and towns. Their natural outlet is a rail haul to eastern Canada. In order to sell their lumber export, they must put it in scows, perhaps tow it around from False creek to Vancouver harbour, unload from the scow into the ship which goes overseas. Under the quota system which is now 50 per cent, these domestic mills are being forced into a business for which they were never designed.

A comparison of the figures in relation to the large mills which have timber limits and so on and those in relation to the small mills which have no timber limits, no towing facilities and which are being forced to seek a market in an unnatural sphere will show that a great hardship is being borne by these small mills.

The minister said that if the cost of logs has gone up too much let there be a buyers' strike and the cost will come down. The minister knows as well as I that logs are quite scarce and that any refusal to buy the logs offered would mean an almost immediate shut-down by the log buying mills. Surely the minister is not suggesting that they should shut down and cease production in order to get the log price down.

The last thing I want to point out with respect to conditions in the lumber trade on the Pacific coast is that the small log buying mill started this year not making a profit on its domestic business. Since that time there has been a $6 increase in the price of logs and a $2 per thousand increase in the cost of labour; that is, the hands in the sawmill itself. They have lost the ten cent premium on the dollar on their United States business. The domestic quota has been increased from 35 to 50 per cent. At the spring session of the legislature the working week was reduced from forty-eight hours to forty-four hours. No great complaint is being made against any one of these things taken by itself, but when an industry which was not making a profit on its domestic business suffers five such blows within a few weeks it indicates that before the end of the year the earning position of these mills will become seriously impaired. I urge the minister to look into this matter, because I believe in this particular case he will be able to find something to his advantage in his efforts to stimulate the supply of lumber.

Mr. HOWE: My hon. friend has made out a good case for the small mill to present to the wartime prices and trade board for an increase in prices. I do not see why these mills do not present their case. I am assured by the wartime prices and trade board that no case has been made for an increase in prices at this time, and I am also told by that board that when a case can be made an increase will be considered.

Mr. IRVINE: I have just one question I should like to ask the minister. I think he said a moment ago that it was the business of the lumber controller to see that the home market was supplied. The hon. member for Vancouver North gave some figures which, if they were correct, would prove that ample lumber is now being produced in Canada to supply the home market and to permit the export provided for. His claim was that it was not being properly distributed, and I wish to know from the minister where the difficulty lies. I should like to know whether the controller is not controlling, or whether the figures given by the hon. member for Vancouver North are incorrect.

Mr. SINCLAIR (Vancouver North): I referred to distribution within British Columbia; I quoted no authority for distribution outside the province.

Mr. IRVINE: It is British Columbia that I am talking about, because we have a problem in Prince George which is similar to the problem that exists elsewhere. I want to know where the trouble lies.

Mr. HOWE: I do not know of any surpluses of lumber anywhere in Canada. It seems to me that there has been a fair job done in distributing lumber. All the lumber is consumed somewhere. The export quota is certainly being met in full and, so far as I know, all parts of Canada have a reasonable quantity of lumber. For a time we had great difficulty in getting lumber in to southern Saskatchewan. It was much easier to ship across the border. That was worked out, and arrangements have been made which, I think, have brought about a reasonably equitable distribution of lumber so far as geography is concerned. If there are accumulations in one part and shortages in another, that would indicate that the distribution was not reasonably even.

Mr. IRVINE: Is the controller limited to geographical considerations, or has he power to distinguish between industries and certain human needs? Can he not give direction to some extent as to which industry shall be supplied with lumber and whether it shall go for homes or for something else?

Mr. HOWE: About thirty per cent of all small homes and a much larger percentage of the homes for veterans, are built under priorities, and special arrangements are made to divert materials into these homes. The remainder of the material goes into the retail market, and no control is exercised over what is built with that lumber.

There has been some discussion about the federal government assuming the over-all programme of construction control. It has been said that it is difficult for a city to do so, because the city may want an industry, and it would be difficult to say no to that industry; regardless of the need of lumber for homes. That bland assumption would indicate that it is very simple for the federal government to exercise similar control. But of all the controls which the federal government attempted to operate in time of war—and I think our wartime controls were more successful than those in any other country—we failed miserably in exercising construction control. Why? Because no one would accept our judgment as to what was essential building and what was not. We received terrific pressures from cities to allow exemptions from the established rules. Black marketing got so bad that the situation became quite uncontrollable. We had more difficulty in getting convictions for black marketing against building control than against any other control. It was practically impossible to obtain a conviction. There would be a flagrant violation of the control in some cities; a prosecution would take place, and the offender would be fined $5 and given a clean bill of health to go ahead. I am willing to operate any control that can be operated, but I know from experience that the federal government cannot successfully operate building control. Just as an example, a delegation of six mayors from large cities came to see me just after we passed the order in council permitting municipalities to operate building control. They said, "We cannot do this because it would never be uniform." They said: "We want you to prohibit certain types of buildings." I said, "I shall be delighted, if you will tell me what types of building to prohibit. Tell me and I will pass the order in council to-morrow." Some said: "Theatres." I said, "Fine; we will start with theatres." Then one mayor spoke up and said, "We have been trying for years to get a theatre built in my city and one is coming along now. You are not going to prohibit theatres." Somebody else said, "Prohibit luxury hotels." At once another mayor spoke up and said, "You are not going to prohibit hotels because we are promoting a hotel to be built in my city and we are going to have it in spite of anything you do." Two or three other types were mentioned, such as bowling alleys. Hon. gentlemen would think that surely we could prohibit bowling alleys during the war, but we had more trouble with bowling alleys being bootlegged than almost anything else. Finally I said to this group of mayors, "Perhaps you will retire and come back later when you have agreed on what you would like prohibited." They met all next day, but they never came back. So I wish that hon. members would drop the idea that the federal government is quite capable of telling people what they can use lumber for and what not.

Mr. GREEN: What about the distribution of lumber? Is it not possible for the timber controller to see that there is an equitable distribution of lumber?

Mr. HOWE: I believe that is being done. I should like to know of inequalities in the distribution of lumber as between geographical areas.

Mr. GREEN: I mean within a geographical area, is it not possible for there to be an equitable distribution?

Mr. HOWE: I am certain that if the industry within an area could agree on what is an equitable distribution, the timber controller would be glad to see the distribution made accordingly.

Mr. GREEN: I have a further letter from the B. C. Lumber Survey Limited, dated July 26, 1946, in which they say:

What is certain, however,—

That is referring to the minister's statement on page 3709 of *Hansard*:

What is certain, however, is that Mr. Rosenberry and the wartime prices and trade board were fully informed on the subject and have been so informed for a good many months. Mr. Rosenberry and Mr. Ashbaugh of the wartime prices and trade board received a delegation of the retail lumber men in Vancouver at the beginning of 1946. The only subject discussed at that meeting was the distribution of lumber, the yards having made the request that the board's policy of equitable distribution be applied to lumber. Thus Mr. Howe's department was fully informed that lumber is not being distributed on the 1941 basis and nothing has been done in Vancouver to implement this policy of the board.

Why cannot that policy be implemented in Vancouver?

Mr. HOWE: I shall be glad to call that to the attention of the timber controller.

Mr. McMASTER: Nobody has spoken so far from Ontario, which is suffering from a lumber shortage most of all the provinces. I understand that five billion feet is Canada's normal cut of lumber and that that will be the amount produced this year. More than half of that is produced in British Columbia. The government may have made a mistake in allowing, until recently, 65 per cent to be exported. I also understand that the railways have a priority on about 20 per cent of the whole cut. If that is the case, with 65 per cent exported, now 50 per cent, and 20 per cent of the whole cut going to the railways, there is only 15 per cent left for ordinary construction, so that only a mere trickle comes from the northwest part of British Columbia toward the east. I am very much surprised that members from Saskatchewan and Alberta are raising so much trouble about this matter, because I learn from several sources, which I believe to be reliable, that the prairie provinces have an advantage over Ontario of $3 a thousand in price, although the lumber coming from British Columbia to Ontario must travel very much farther. As a matter of fact, the lumber does stop in the prairie provinces, where they have not much lumber of their own.

I think I mentioned that British Columbia produces more than half the total cut of five billion feet. Let us, for the sake of argument, say that British Columbia produces two and three-quarter billion feet. Ontario, where there is such a large demand for building, and where the timber is now getting farther and farther back, produces one billion feet. A certain amount of that is hard wood and white pine, which does not go into building construction but is used for furniture and other purposes. The minister has just said that one-third is allowed to be exported. So the amount of lumber produced in Ontario that can be used for housing purposes is not large. Then there is Quebec and the maritime provinces which must grow the greater portion of the remaining one and a quarter billion feet that is produced from these other sources. The minister did not say exactly how much of this latter is allowed to be exported. If it is one-third you will see that, when you take into consideration the demand which is made in the maritimes and in Quebec, there is only a mere trickle coming into Ontario, and on that account we suffer more, perhaps, than any other province from lack of lumber.

I have often wished that in the beginning of the housing crisis the government had not been stampeded to the extent they were, because, as I said at the last session when dealing with this question, during the war the government were the largest consumer of lumber and they must have had and did have, throughout Ontario especially, buildings containing seasoned lumber, which could have been taken down and the seasoned materials used for the first six or eight months in the erection of new houses. Some person who should have known told me that the recovery could have been 70 or 80 per cent. This provision would have bridged the period between the time we needed lumber for building and such time as new lumber in a more seasoned condition would become more readily available.

I have often wished that the government had erected a more permanent type of building in their housing operations. I have mentioned once or twice before, and many other members have risen in their places in the house and made valid complaints about the situations in which these veterans' houses were built. That is, they were not built in urban districts, although they were meant for urban workers, but were located some distance out. I do not believe that the matter of a half acre of land surrounding a building would

make up for the increased inconvenience the occupier would have in getting to work, or the extra expense involved in putting in different services, such as electricity, water and sewage, as well as the extra trouble the man would have in providing schooling for his family. However, the government did go out some distance, partly necessitated by the fact that they did not provide a more durable type of building. I will mention one municipality I know of, the township of York, which, as some hon. members know, is supposed to be a rural district, although there may be eighty-three thousand people in that comparatively small area, making it the largest rural municipality in Canada. But there are still unoccupied streets, although maybe not paved, provided with sewers, water and electricity, on which houses could have been built if the government had consented to erect them with brick, or concrete blocks, or some other substantial material. Had the government done this there would have been a great saving of lumber. An amount of 15,000 feet has been spoken of to-day as the amount of lumber in a house. I am not a builder or a lumber man, but it strikes me that that is exaggerated for the type of building which has been erected by the government for the veterans. Indeed I would say that half that figure would be more nearly correct. Of course, of this amount, the better part of the lumber is used for the trimming and siding, and it is unfortunate that an attempt was not made to provide more substantial material for the outside, so that this good lumber would have been more available for inside work.

During the war we heard a good deal about plastics and other synthetic materials, and that attempts would be made to create buildings entirely different from anything which had been made before. Strange to relate, the building industry is about where it was forty years ago. Mass production has been applied to practically everything except building, but in that industry they are still back in the old times when they produced very slowly, and with manual labour. Of course to-day increased labour costs have had much to do with the increased cost of building.

Houses being so necessary, I was interested in what the minister said about demands from municipalities for other buildings. I have not the figures, and my memory may not be very accurate, but I believe that for the month of April last the amount of construction in Canada was something in this ratio: $18 million for dwellings and about $42 million for industrial buildings, for churches, hotels, theatres and other kinds of buildings. That strikes me as a little out of line when we hear such moving stories as we have heard here from both hon. members of my own party and hon. members belonging to the C.C.F., possibly also hon. members supporting the Liberal party about the shortage of houses. Surely the government should have sufficient control to see that buildings are provided in a more fair proportion as between homes and other types of construction than they have been. To that extent, I believe, the government has failed in its duty.

There is a black market, and if I were asked where these black markets are located I might not be able to tell you of them. When I suggest, to people who know, that about half the lumber which is distributed in Ontario goes to that market they tell me that the estimate is a little low. The reason for that condition, which has been touched upon by several other speakers, including, I believe, the minister and several hon. members from British Columbia, is that the ceiling is actually so low that the man who manufactures the lumber now eliminates the old retailer; he has to sell direct to the customer in order to get a fair return, because these large prices which he gets from the export trade do not balance the results of the very low ceiling and the extra costs of production. The result is that only a large buyer, shall I say a large consumer buyer, is able to secure this lumber, and the small man who ordinarily went to the retailer to get a few hundred feet of lumber as he needed it cannot find any now, because—I do not care what anybody says—the small retailers are actually without lumber for the people who want it. People tell me that a certain company, which operates more largely in the prairie provinces than anywhere else, and in a small way in Ontario, is well supplied with lumber. I thought there was something strange about that, and I inquired from a man who has no reason to wish to do the government either a favour or an injury. He said it was because that particular company has always been a large buyer, and its very large buying power enabled it to purchase where the small man could not do so. That does not represent equality of distribution; and I think, since the government has undertaken this job, it might do it a little more equitably.

Mr. MERRITT: Would the minister explain a statement of his on the resolution stage with regard to the assistance being given to manufacturers of building materials to get increased production? Would he give the committee an idea of the type of obstacles they are encountering, the methods he is using to meet them, and what is being done about increasing the capacity of various lines in the country?

Mr. HOWE: I shall be very glad to do so. Would my hon. friend like me to do so now?

Mr. MERRITT: I think this is the proper time. As far as I know, there is no part of the bill which deals with it.

Mr. HOWE: It is almost six o'clock. Would it be all right to do it at eight o'clock?

Mr. GREEN: There is a distribution as between areas. Would the minister tell us whether that applies also to such supplies as steel? Since the discussion on July 22 I have had a letter from Smith Sheet Metal Works Ltd., Vancouver. They state:

> We are, and have been for thirty years, the only manufacturer of metal cornerbead, west of Winnipeg We are not able to obtain sheets for the production of cornerbead this year, although we have approached the steel controller on several occasions for a quota for this purpose.
>
> Under normal circumstances, we acquire our requirements from the Canadian steel mills through a local supplier.
>
> Due to the shortages, however, they will no longer accept an order for this purpose as it would come off their small monthly quota. As a result, we are not able to supply metal bead, and the housing programme is being seriously held up. The eastern manufacturers are able to get sheets for this purpose and ship the goods out here.

I presume, the manufactured goods.

> We feel that this is certainly very discriminating inasmuch as we are an old-time manufacturer of this article. Last year we produced three-quarters of a million feet, whereas this year to date we have turned out only 20,000 feet. We have tried to obtain from the steel controller, a definite quota per month but as yet we have received nothing but a run around, as he refers us to our local suppliers who in turn refer us to the steel controller.

What should a person do in a case like that?

Mr. HOWE: The administrator of the wartime prices and trade board has that matter in charge. My over-all experience is that supplies of sheet metal on the Pacific coast have been better than in the east for the last several months. Evidently this man has depended on a supplier who has let him down. Ordinarily each industry has its own supplier and it is the duty of the administrator of the wartime prices and trade board to see that suppliers get their fair share of the over-all production. I think my hon. friend will find that this man's usual supplier gets his fair share.

Mr. GREEN: Is there anyone to compel the local supplier to supply him with the material?

Mr. HOWE: If he can make a good case, the administrator will no doubt try to see that he is kept in business.

[Mr. Merritt.]

Mr. BENTLEY: Will there be restricted areas in the application of the act? Will there be any parts of Canada where loans will not be made available? There was a time under the National Housing Act when we could not get anything in Swift Current. Shall we be able to get any now?

Mr. HOWE: Yes. The whole effort over the last several months has been to make sure that every part of Canada will obtain service. That is the purpose of the amendment. It is to make sure that rural areas and areas producing raw products will get the same service as is obtained in the cities.

Mr. MERRITT: Will the minister give the committee figures for various parts of Canada, including Vancouver, as to the estimated cost of constructing per square foot of, say a house under $6,000, and the lending value per square foot—whatever figure is used by the National Housing Act authorities?

Mr. HOWE: We have never released these prices. It is difficult to say. Under integrated housing there is a controlled price which would be a criterion. The floor price for speculative building would be something else. We can hardly give it.

Mr. MERRITT: I am only asking with respect to the estimated cost upon which the lending value of the loan to the home owner is based. Since the lending value must be established, and he must be told what that is, there should not be any secrecy about that particular cost.

Mr. HOWE: The variation in lending value depends on the location of the house, the desirability, and various other factors. If we laid down a rigid lending value for any kind of house in any location, such procedure would be hardly fair to the lending authorities. The only way in which the prospective buyer can get a lending value on a house is to produce the plans and location of the house. Then he is given the lending value of that particular house.

Mr. MERRITT: In my speech this morning I quoted the figures $4.20 and $6 which I got out of a report in a Vancouver newspaper respecting certain houses there. The minister has placed his limit of ten per cent on the increase in the lending value squarely on the ground that the cost of building houses has gone up 150 per cent from 1939, and, as I said, if that is so his argument in his statement the other day is one with which I agree. But when I see a spread of $1.80 per square foot between the lending value and the actual cost in connection with a particular house in

Vancouver, then I am led to believe that the actual cost must have gone up very much more than 150 per cent since 1939. Therefore, the actual increase of ten per cent in lending value, so far as I can see, is not going to relieve at all the situation which it was designed to relieve.

Mr. HOWE: It is necessary to see the plan of the house before we can say whether the figures given by my hon. friend are valid, as regards the difference he mentions. If it is a controlled-cost plan of building, the spread is entirely out of proportion. If costs are controlled the spread should be very much less than that mentioned. In the case of the speculative builder, the purchaser makes his own deal, but I would be surprised if he went ahead on the basis of the spread indicated. I know of no way in which the government can protect that man against an exorbitant profit of the builder.

The CHAIRMAN: Shall the section carry?

Some hon. MEMBERS: Carried.

Mr. MERRITT: Subject to the statement which the minister will make, it is carried.

Section agreed to.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

On section 2—"Cost of construction".

Mr. HOWE: Before the recess, I undertook to answer a question asked by the hon. member for Cariboo, I believe, as to what methods were used for stimulating production. In my remarks on the resolution, I stated that we were prepared to use the same methods for stimulating production of home building materials that were used for stimulating the production of war materials during the war period. Various methods have been used to increase the production of nails. We examined the industry and found that a price increase was required, and a price increase was granted. In the case of asbestos, an amount representing a very large investment was made by a private company in return for receiving double the usual rate of depreciation. In the matter of plumbing supplies, negotiations are now proceeding which may involve the government paying for certain equipment, under the proviso that the government will own the equipment until the cost of it has been refunded through depreciation account or otherwise. In the case of brick, new brickyards were opened by government assistance in providing labour; and also in one case by the government undertaking to purchase the output of the yard in the event that the brick could not be sold privately. In the case of wallboard, an old mill was opened by the government diverting raw material from the industry as a whole and undertaking to purchase any material that could not be sold privately at the ceiling price.

These are samples of devices that have been used in stimulating production. A great number of cases have been examined and have received treatment. In the matter of soil pipe, it was felt the difficulty was that the ceiling was too low, and the ceiling was adjusted in a manner that greatly increased production. The practice is to examine a situation, find out what is preventing the required expansion, and then to take remedial steps accordingly.

Mr. PROBE: Has the minister considered adding another safeguard which, in my opinion, is exceedingly necessary. I believe that the production of all these items the minister has mentioned can vary considerably within the plants themselves. That is, production may be either slowed down or speeded up by a variety of more or less artificial devices: at the wish of the management, for example; continuous delay in getting a spare part, and so on. Has the minister considered making part and parcel of any contract he has entered into with any of these various industrial groups a requirement that double shifts, or three shifts if necessary, be maintained in the plants? What is the safeguard with respect to seeing that this machinery is continuously employed? That is extremely important. Certainly it is a much more difficult thing for the minister to assure than it would be to say, "We shall raise the price of nails from $5 to $6.50."

Mr. HOWE: In examining a situation the first question asked is, is the industry operating at full capacity; in other words, is it operating three shifts? If not, the first step taken is to bring it into three shift operation and to correct any difficulties that prevented that being done previously. It is very simple for the officer in charge to check whether a plant continues to operate with three shifts, because the rate of production on a three-shift basis is established and any drop in production calls for an explanation.

Mr. MacNICOL: Is it possible for any company manufacturing bathtubs or boilers or iron pipe fittings or soil pipe to get enough pig-iron to operate to capacity on one shift,

let alone three shifts? Is not the trouble with all such businesses to-day the question of pig-iron?

Mr. HOWE: If my hon. friend is talking about to-day, he is quite correct. Before the steel strike, however, the steel controller was supplying industry generally with all the pig-iron it could use. At Algoma Steel we cut back the production of steel by 25 per cent in order that the coke and other supplies required for making cast-iron could be devoted to that purpose. As long as the industry was working at capacity under government direction, I do not think anyone requiring pig-iron failed to get the amount needed.

Mr. MacNICOL: In that regard I can say that a prominent manufacturer with whom I am well acquainted and with whose business I am thoroughly familiar told me just about three weeks ago that it was almost impossible for him to get enough pig-iron to manufacture cast-iron boilers and plumbing supplies. He said he had scoured the United States from end to end and had been most fortunate in obtaining two thousand tons of loose pig-iron in an American city near the border. But two thousand tons would not go any distance in meeting the present requirements for boilers, radiators and iron pipe fittings alone.

I think we have a real problem there. No one can blame the minister. It is not his fault. I am sure he has been doing all any human being can do, but, as far as I know, the pig-iron has not been available lately. As far as the Algoma plant is concerned, their own raw iron for processing would not amount to over 300,000 tons a year, and that is a small item in relation to the demand to-day. No one need blame the minister because this material is not available; it just is not there. That is why I rose to say that, among other items, pig-iron is simply not to be had in large quantities. Only to-day I was reading about nails in the United States, and perhaps we may find the same thing here they found over there. The controller in the United States, I suppose holding the same position held by the minister here, is up against the very same problem. They have a housing problem that is infintely worse than ours. I read that after scouring around they had found some 12,000,000 pounds of nails in supplies under army control. That is not very much, but have we any warehouses with nails, under the army or any of the war departments? That might help a little. The 12,000,000 pounds of nails would be enough for about 30,000 houses, but even that amount is not very much in the United States. It would, of course, be a lot here. Is not the real problem that of getting material?

[Mr. MacNicol.]

Mr. HOWE: That is, of course, the real problem. Before the strike, we were forcing our steel economy to the limit. But up to that time, while everyone using pig-iron was on the ragged edge, I know of no case where an industry had to shut down for any considerable length of time owing to a lack of pig-iron. We were just about getting by with what makeshifts we could use. No industry had any considerable stock of pig-iron, but all were getting current supplies sufficient for immediate needs, so far as I know.

In the matter of nails, we have been running our industry to capacity. The present curtailment in production of nails is due to the curtailment in production of steel rods, as well as strikes in one or two of the nail plants. Of course we have plenty of steel rods inside a picket line at one plant, but unfortunately they are not available at the present time. The industry is completely disorganized to-day, and it will be a matter of several weeks before we get back into our stride. But when we do, I think we shall be reasonably in balance, so far as raw materials of steel are concerned.

Mr. MERRITT: Will the minister assure the committee that the capacity of the building materials industry in the country is great enough to deal with the programme of housing he envisages for the next five years? Will he say at the same time whether that capacity is such that the programme could be increased over the figures he has given?

Mr. HOWE: The reason the limit to the programme is set is to keep parallel with our ability to expand the materials market. The reason we set 60,000 houses for the current year is that we believed we could raise our sights on the required materials in order to produce 60,000 houses. The reason we have set 80,000 for next year is that we believe we can raise our sights on materials to supply 80,000 houses. The following year we believe we can hit the 100,000 level, and keep up our supply of materials.

But the supply of materials is the wholly governing factor in the number of houses. If we had twice as much material, and a sufficient amount of labour, we could build twice as many houses this year. We are forcing up this materials position as rapidly as we can, and as rapidly as experience tells us is possible of attainment. That is the wholly limiting factor in the number of houses to be built.

Mr. IRVINE: I should like to ask a question respecting devices which the minister indicated were used to increase production of materials necessary for the building of houses. Is it not so that to offer increases in prices

to private corporations to increase certain products means that pressure is brought to bear upon price ceiling control? In the second place, does the minister not think it is a weak device to remove from any private corporation all risk whatsoever, and promise to take over any surplus which may be left after the building programme begins to slacken? In that event, the community is absorbing the entire loss; or, if the surplus materials are put on the market subsequently, it means that the companies will have to shorten their production, just as if the device had never been put there.

Mr. HOWE: The agreements are made for a limited period, perhaps for two or three years. We are in the happy position that we are most anxious to step up our programme, and to use any surplus materials. We feel we are quite safe in guaranteeing to take the entire output, because we are delighted to step up our programme so that we can be sure of the housing output. In other words, we have an expanding demand, and any temporary surplus of materials, which has almost never occurred and is not likely to occur, would be bought by us and put aside until we could step up the over-all production to a place which would allow us to reabsorb that material.

Mr. ROSS (Souris): What are the prospects for securing galvanized iron? In my part of the country I know of a number of buildings now under construction, but the people who are supplying the heating equipment in considerable quantities are short of galvanized iron.

Mr. HOWE: At the present time the prospects are just terrible. Not a pound is being made in Canada.

Mr. ROSS (Souris): I was afraid of that.

Mr. MacNICOL: I should like to ask another question, to which I would expect the same answer. When I was home over the week-end I discussed the question of glass with a large dispenser of that product. I gathered from him that there will not be a pound of glass anywhere in their organization for some time.

Time is rapidly going on. Here we are almost to the first of August. A month from that, people will be protecting themselves against inclement weather. What can they do? Are any big buildings available to be refitted to accommodate the multitudes of people who are living in tents? It is not the industry's fault. Everything is being held up at the present time and the situation may get worse. It is not the minister's fault or mine. But we must look forward to saving our people from freezing to death, or suffering bad health from exposure to weather. The next month will go by rapidly, and when that time is over we are up against it.

Mr. HOWE: I am happy to say the situation respecting window glass is not as bad as that in connection with steel. It is true that our glass-making industry is gradually closing down, owing to a strike in a plant which manufactures soda ash.

But window glass is not made on a large scale in Canada. I made the mistake of saying in an earlier debate that it was not made here at all. It was called to my attention that we have one plant, Industrial Glass Works Limited, St. Laurent, Quebec, which manufactures glass, and which is back in business.

However, imports of window glass are improving. Belgium, which was one of our great pre-war sources of window glass, is gradually coming back into the market, and in the meantime imports from the United Kingdom and the United States are stepping up slowly, as well. So that I think in the matter of window glass we are fairly well off.

Mr. PROBE: Has the minister taken the precaution of leaving an avenue open for the renegotiation of prices he is currently allowing producers, in case the profit margin gets too high, in the opinion of the government; or has the minister left that to look after itself?

Mr. HOWE: Contracts made to-day are not subject to renegotiation. But the position of the manufacturer is closely examined before increases are granted. I believe that adequate precaution is being taken to make sure that excessive price increases are not granted.

Mr. MacNICOL: I learned only a few days ago from a soldier who had served overseas for five years some facts concerning the purchase of a house. When he came back he had to find a house for his bride and his child, and went to the organization set up for that purpose. Its name escapes my memory at the moment. He bought the house from them at $6,000. Upon going back later to inquire as to when he could get possession, he was told that it would now cost $6,500, and after he waited for some time longer and made a further inquiry, the price of the house had gone up to $7,000. I was just wondering what controls there were in connection with Wartime Housing.

Mr. HOWE: Wartime Housing does not sell houses. I am sure my hon. friend is referring to the Veterans Land Act. I am not familiar with its operations.

Mr. MacNICOL: Does it get its supplies from the government?

Mr. HOWE: That comes under the Department of Veterans Affairs.

Mr. MacNICOL: When I spoke a moment ago I said that I was not familiar with the name and I referred to it as Wartime Housing. However, after hearing what the minister has said I realize that it is the Veterans Land Act. Is there any authority to prevent them from advancing the price of a house after making a contract with a returned soldier? I do not believe any working man or any ordinary chap would be able in his lifetime to pay for a house costing $7,500, unless he had perfect health and had no trouble in his home or was not faced with many of the problems that confront people in his circumstances. God must love these people more than he loves the others because he makes so many of them. Their troubles are legion. I do not believe any ordinary man, even in a reasonable length of time, would be able to pay for a $7,500 house.

Mr. IRVINE: I should like to be assured by the minister that I shall have an opportunity to return to the matter of cooperative housing schemes which, so far, have not been able to use the provisions of the act. I believe this matter would come under section 9 of the old act, and I should like to ask the minister if it will be appropriate for me to discuss this matter under section 5 of the present bill?

Mr. HOWE: My hon. friend spoke of United States legislation, but I think he has become confused between bills introduced in congress and legislation. Was it the Wagner bill he was discussing?

Mr. IRVINE: It is No. S-1592, sections 404 and 405.

Mr. HOWE: That is the so-called Wagner-Ellender-Taft bill. It has been introduced in the senate, and it is having a rather rough time there if one can believe the press.

Mr. IRVINE: It is still living.

Mr. HOWE: It is like the amendments to the National Housing Act; it is under consideration. That bill refers to a project constructed by a non-profit corporation organized for the purpose of the construction of homes for members of the corporation. That provision is in the proposed amendment, but it is not in the present legislation. The present national housing act of the United States reads as follows:

Loans under section 207 of this title are rental housing loans made to limited-dividend corporations.

[Mr. Howe.]

Those are corporations offering housing for rent but not for ownership.

A loan may not exceed $5,000,000 in amount, nor more than 80 per cent of the administrator's estimated valuation of the completed property, nor more than $1,350 per room attributable to dwelling use. (In no case can loan exceed 100 per cent of administrator's estimate of building cost.) Amortization basis is stipulated in each case by the administrator.

That applies to a limited-dividend corporation erecting housing for rent. There is no provision in the present United States legislation, as I read it, for cooperative building of homes to be owned by the members.

Mr. IRVINE: That is a good reason why we should take the first step. I ask the minister if it will be appropriate for me to bring up the matter under section 5?

Mr. HOWE: Quite.

Section agreed to.

On section 3—"Economic rental of a family housing unit."

Mr. PROBE: This section provides that the economic rental means an annual rental at the rate of twelve per cent of the cost of construction of the family housing unit. That is the basis for the working out of the rent chargeable by a corporation when arriving at its contract with its tenant. Could the minister give us the background for this twelve per cent rate? I have no doubt it is based on good business practice, but I would presume that if we were able to get money at one or two per cent, or something like that, we might be able to reduce that annual rent to considerably less than twelve per cent.

Mr. HOWE: This is on the basis of one per cent per month. That may not be a very good explanation. I am not very familiar with the act since I was not in on the drafting. This amendment makes no change in the original act in that regard. I cannot tell my hon. friend why one per cent per month is considered to be an economic rental, but apparently the present act provides for that.

Mr. PROBE: It must be based on some financial consideration, and no doubt all the factors that entered into the cost of the house are considered, plus the maintenance, interest on the principal, depreciation, taxes and the replenishment of capital after thirty or forty years. The National Housing Act permits that a housing corporation set up by an insurance company may charge an economic rent of twelve per cent of the cost of the housing project and still be eligible for a government guarantee in the event of loss.

Mr. HOWE: One per cent per month is the maximum that can be charged and it is

adjusted down if the facts do not justify that economic rental. In other words, if all the items mentioned by my hon. friend add up to less than one per cent per month, the economic rental is limited accordingly.

Mr. PROBE: The National Housing Act of last year and the amendments of this year refer to the twelve per cent. That would make the rental of a $5,000 house total $500 a year, while the rent of a $3,000 house would be $300 a year. If we are interested in low-rental housing it seems to me that we must work out some basis where we do not have an economic rental of around twelve per cent of the cost of the house.

Section agreed to.

On section 4—"Housing project".

Mr. PROBE: This new section will read:

"housing project" means a project consisting of one or more one-family dwellings, or one or more multiple-family dwellings, or a combination of one-family and multiple-family dwellings, together with any public space, recreational facilities and commercial space and buildings appropriate to the project.

Later clauses of the National Housing Act refer to such things as community planning. There have been put up in my city several hundred structures for which we thank Wartime Housing Limited and other agencies, because they keep the weather off the inmates of those houses, but when I think of the beautiful little city we had before these structures were put up and what we have now from the point of view of community or city planning I consider it nothing less than a disgrace. I think the minister should consider adding these words to the end of this section, "consistent with recognized planning principles." Would the minister comment on that?

Mr. HOWE: Section 9 I think covers the point my hon. friend mentions. It protects the standards and provides for suitable community planning. If my hon. friend is talking to me as a former resident of Regina about wartime housing spoiling the character of the city, surely that is a matter for debate.

Mr. PROBE: We had a planning commission in our city for twenty years, and they have been trying to remove some of the scars left by our earlier pioneers.

Mr. SMITH (Calgary West): Be careful.

Mr. PROBE: Including my good friend the hon. member for Calgary West, who was at one time a resident of our city. When we are discussing planning principles I think we should be consistent in our definitions. That is the only reason I bring this matter to the minister's attention. There is nothing here to indicate that we have in mind the planning of our cities.

Mr. HOWE: That comes later.

Section agreed to.

On section 5—"Limited-dividend housing company."

Mr. IRVINE: I want to bring to the attention of the minister once again the plea of cooperative organizations to come under section 9 of the National Housing Act. I have here the prospectus of the York Mills Cooperative Home Builders' Association, which was granted a charter by the province of Ontario on December 3, 1945. The prospectus sets forth the objectives of the association, conditions of membership, methods of financing, building, tenancy and ownership. This newly organized cooperative, having been granted letters patent, made their application to the proper authorities to be granted a loan on a basis similar to that for private corporations for the purpose of building houses to be rented at a low rental to the shareholders of the association until such time as thirty years had elapsed, by which time the house would become the property of those who had lived in it and had paid back the loan. They received a reply from the department stating, in effect, that no provision was made for making loans for the building of homes that would be ultimately owned by those who rented them, and consequently the whole project has been brought to a standstill.

Would the minister give the committee a real reason why a cooperative should be excluded from section 9 of the housing act? It seems to me to be an act which provides for the care particularly of insurance and loan companies. According to the act, on a house costing $7,000 to build, 95 per cent of the first $2,000, or $1,900, may be borrowed; 85 per cent of the second $2,000, or $1,700; 70 per cent of the next $3,000, or $2,100; making a total to be borrowed under the terms of the act of $5,700 out of the $7,000. It appears that under this section of the act private corporations scheme so that, by borrowing the full amount which the act provides for, they can increase the payments of the borrower by a considerable amount, so that instead of an actual loan of $5,700 on a house of $7,000 they manage to get away with lending $4,410. Thus, instead of 81 per cent of the loan, they are granting 47 per cent of the loan. So it would appear that the act as it is working out is one which chiefly benefits the lending institutions.

The point I wish to make is this. In the first place, is not the security of the property

in question, supported by a cooperative organization, just as good collateral, if you like, or just as good a guarantee of repayment of the loan as that given by a limited liability company, or whatever name may be given to the corporation which will borrow the money and build these houses? In the last analysis, the only real security you have is the house itself. If a man fails to meet his payments under this cooperative plan the property will, of course, be taken over by those who made the loan, just as it would in the case of a private corporations making the loan.

In the second place, why should the government insist that houses should always be rented? When a man has been in a house for thirty years and has paid the full amount of the money borrowed, why should he continue to rent it? Should it not be his house? That is the proposal which the cooperative makes. I want the minister to give that serious consideration. I should like the minister to satisfy the committee—and I hope I am not the only one who is not satisfied with things as they are now—that it is not right or that it is not practicable or fair or whatever he wants to say about it, to make provision for a cooperative to borrow under this scheme. If he cannot explain that satisfactorily, I trust that he will make a new provision in the bill to permit the cooperative to obtain a loan which is now available only to private corporations which insist that homes in Canada shall always be rented and never be owned by the people themselves.

Mr. HERRIDGE: I should like to read a letter that I have received from a group organized in British Columbia along the lines my hon. friend has just mentioned, together with a short brief which they have presented, and this is only one group which is considering making similar proposals. This letter is from a group of veterans in the university of British Columbia who have organized to form a Veterans' Cooperative Building Association. It reads:

Dear sir:

I enclose for your consideration a copy of a brief prepared by the Veterans' Cooperative Building Association, of which I have the honour to be president.

Our association was originally legion sponsored, but is now quite independent, although all members are veterans.

We have had every encouragement in our plans from all sources, including the Central Mortgage and Housing Corporation, and now have our building plans complete for an initial project of 52 units.

I feel sure you appreciate the housing emergency in Vancouver, and will give the enclosed material your earnest consideration and support.

Yours truly,

D. Brousson,
President.

They deal with the subject in this short brief:

This brief is prepared and presented by the Veterans' Cooperative Building Association, 553 Granville St., Vancouver, B.C.

This association was formed last fall under the sponsorship of branch 168 of the Canadian Legion in Vancouver, in an attempt to help veterans solve their own housing problems, by providing moderate rental accommodation on a mutual ownership basis.

With this in view, the association has applied for a loan from the Central Mortgage and Housing Act, 1944, to finance an initial project. Loans under this section bear interest at 3 per cent, repayable within fifty years.

In doing so, the association has agreed to submit to all the requirements of the section as regards limitation of dividends, rents and incomes in order to insure the low-rental character of the project.

The central mortgage and housing committee, while approving the technical details of the project, has refused the loan on the ground that because we are a cooperative association this would not be a rental housing project, but in essence a form of home ownership, and therefore disqualified under the term of section 9.

This association does not consider this decision to be soundly based from a legal point of view since the identity of a body corporate and of its membership are separate and distinct things and while it is true the tenants would hold shares in the association, tenants might also hold shares in a joint stock company and at the same time rent houses from it, but this would not presumably disqualify such a corporation from operating under this section of the act. In other words, the decision appears to discriminate directly against the cooperative type of organization.

I am not going to read the rest of the brief, and take the time of the committee in so doing. However, in addition to the questions placed before the minister by the hon. member for Cariboo, I should like the minister to explain why he considers that this is not a practical scheme, a scheme such as has been in successful operation in Great Britain, I believe, for at least fifty years, where the money had to be raised from outside capital. The loans were subscribed in the form of bonds or debentures to form a building association. These associations in Great Britain have had a successful history; you rarely hear of a failure; they have been successful in every way, and I should like the minister to explain why he does not consider, under our present conditions, the necessities of the times and the urge of these men to cooperate in doing something for themselves, that something of that type would not be practicable and satisfactory in this country.

Mr. HOWE: My hon. friend suggests as a parallel an organization which has been successful in England. I suggest that that is not the case. The cooperative building societies in England are corporations of substance; they build houses for rent and they also build

houses for sale. I gave the parallel before dinner; I do not know that I need repeat it. We will say the number will be ten—ten men banding together to form a cooperative. For what purpose? To build houses for themselves to own. That is the real purpose of the thing. The trouble is that the cooperative has no substance. Each man puts in what he expects his own house to cost, no more. If one of the tenants gets into difficulty a flaw is thrown on the title of the entire project, or might be. There is no substance to fall back on if one of the tenants gets into any of the ordinary business difficulties which might be experienced by any one of the cooperators. Therefore it is not a corporation that is desirable from the point of view of the cooperators, and it is not a type of business which is desirable for a government lending institution or any other lending institution. There is no reason why ten people should gather together for this purpose. Under part I of the Housing Act each can build his own house and be better off, because he has title to the property at all stages and has everything under his own control. We believe that it is not good business for the government to support a type of organization that is not businesslike as far as its own internal arrangements are concerned and offers to the government no protection which it would not have in dealing with the members individually.

Mr. IRVINE: I still have to press the point that the minister has not shown that there is not quite as good security under the cooperative arrangement as under any other, for the only guarantee that the government will have from any of these private corporations will be the building itself, and that will still be there. If it burns down it will have been insured. The minister says that there will be the same advantage for a private individual to do it himself. Let me show the minister that he is quite wrong in that. This is from the estimate of a company newly formed, of which I spoke, the Cooperative Association of Home Builders, in Toronto. Here is what they propose. On a house costing $6,000 the rental charge at prevailing rates would be $40 a month. Principal and interest charges on $5,400 amortized over thirty years at three per cent would be $22.84; interest on membership equity, one per cent on $590 corporate equity, would be fifty cents; municipal taxes, approximately $6; vacancy allowance, $1; insurance, sixty cents; special sinking fund for retiring thirty year loan made by each of the applicants, $1.23; making a total carrying charge per month of $32.17. So that there would be paid back each month to the cooperators $7.83, which would go to private corporations under the scheme which is provided for in the act, and would be $7.83 a month more for the wage-earners to pay in order to get their homes. So that it does make a difference whether it is done cooperatively or done under a private corporation.

Mr. FULTON: There is a further point, arising from the brief submitted by the organization referred to by the hon. member for Kootenay West, this veterans' organization in Vancouver. As they point out, if they are ruled out from the operation of section 9 of the act, then as a cooperative they would have to operate under section 4, where the rate of interest on loans is 4½ per cent per annum, instead of three per cent, which it is under section 9. The point the organization makes seems to me to be a good one and not to have been answered by the minister; that is to say, that just because they are a cooperative organization instead of a limited company does not mean that they cannot as a cooperative enter into a project for the construction of homes which they will rent to their members.

Mr. HOWE: Quite so. Will they keep to that business, though? If they do that they can qualify under this part.

Mr. FULTON: I do not know whether they will or not.

Mr. HOWE: If they stop right there they qualify.

Mr. FULTON: They have been ruled out apparently on the ground—

Mr. HOWE: They won't keep to that.

Mr. FULTON: It seems to be a fine distinction which the minister is drawing. If they will form a cooperative for the purpose of entering this arrangement with the institution and renting to members it would be all right, but what is the objection when they start to allow members to buy from a cooperative? Where does the risk become a bad one?

Mr. HOWE: They are getting into a different class of business.

Mr. FULTON: They may be getting into a different class of business, but what is the change in the risk? Why is it less desirable from the government's point of view?

Mr. HOWE: Well, I put the thing on *Hansard* yesterday. I would be glad to put it on to-day:

Under part I of the act joint loans are available to cooperative housing groups formed for the purpose of building houses or apartments for occupancy by members of the group. Under certain circumstances loans for rental housing projects may also be made under part II . . .

Mr. FULTON: At 4½ per cent.

Mr. HOWE: Yes, that is right, provided that the corporation is already formed and has interests other than housing.

Applications are being received from cooperative groups for loans at three per cent for periods up to fifty years under section 9 of the act. This section provides for loans to limited-dividend companies for low rental housing projects.

Mark the distinction—low rental housing projects.

Generally these applications are from groups of individuals being formed into a cooperative to build houses for their own occupancy with the equity being supplied by themselves. The form of arrangement involves a lease to the member of the cooperative, but in most respects the position of the member is that of a home owner. These applications have been declined because section 9 was not designed for this purpose, its conditions cannot be fulfilled under such circumstances, it was never intended that the tenants of a low-rental limited dividend project should be its owners and the position of the tenant with respect to both his equity and continued occupancy is unsatisfactory.

An individual going into such an arrangement has no security of tenure because under the terms of section 9 he cannot continue to lease a unit in the low-rental project if his income exceeds five times his rental. This condition exists to assure the low-rental character of the project. Even if the tenant's rental—being paid in lieu of principal, interest and taxes—is current, he has no protection against foreclosure with loss of equity and tenancy if the project as a whole goes into default which might be occasioned by default of 5 per cent or 10 per cent of the tenants. In most of the applications we have received there is no indication of any reasonable measure of protection on this score. Nor are there funds, other than the tenants' equity, to assure completion of the project in a period of rising costs.

The position of the tenant when the loan on the project is repaid is not happy. Under the section he, as part owner of a limited-dividend company, or having an interest in it through a cooperatitve, may not receive more than his equity with 5 per cent interest. If the residual value of his house was greater than this amount he would have to make a corresponding payment to retain possession. If it was decided to sell the property as a whole the position would be even more difficult. To avoid this trouble it has been suggested that at this time we should provide that the units revert to the tenants at the end of the amortization period. This is not possible in the light of the intent of the act.

There are other reasons why we should not approve such applications. They, like the ones I have outlined, all add up to one conclusion. Section 9 was not designed for home owners. Nor was section 9, with long-term money at three per cent, designed as a substitute for part I of the act, which provides loans to home owners at 4½ per cent for a term generally twenty years but under some circumstances up to thirty years. If we provide cooperative home-owners with three per cent money, our position becomes difficult with other home-owners.

[Mr. Howe.]

Our position is very clear. We will not approve applications for loans under section 9 of limited-dividend companies where the prospective tenants directly or indirectly are financing the equity of the project nor where factors exist which are not compatible to a limited-dividend rental project as defined by the act. On the other hand, we are ready to approve such applications under appropriate sections of the act, such as section 4 (3), which makes provision for loans to persons incorporated for the purpose of constructing and managing a cooperative housing project.

Mr. FULTON: A good deal of what the minister has read, it is difficult to digest at once; but listening to it, it struck me that the objections made were equally applicable against a low-dividend corporation, particularly the difficulty which might be encountered should it be desired to buy a whole project—the same difficulty would be encountered with a limited-dividend corporation. That was the main impression I got, that all the difficulties which the minister detailed in that statement were equally applicable to the other form of corporation. I do not see why the risk should be affected merely because the members of the cooperative are given the opportunity, by paying a sum in addition to their rent, to buy the homes so that at the end of the fifty-year period they might own their own homes. It works in this way, surely. If the cooperative puts up the necessary money and can enter into this project with the government and the lending institution, then the cooperative as a body would be bound to pay a certain sum a year to the lending institution. That amount would have to be paid monthly by the members of the cooperative as rent. Provided that they complied with these terms and, in addition, were willing and able to pay the sum, whatever it might be, say ten dollars a month extra, so that at the same time they might be buying their equity in their homes, in what way would the risk to the government be increased? Finally, although the experts in the minister's department may have advised him before this ruling was made, there is nothing in paragraph 24 of section 2 of the act, in the definition of limited-dividend corporation, which in itself excludes a cooperative from the provisions of this section.

Mr. HOWE: It is not the intention to exclude cooperatives. We welcome cooperatives in that field, provided that they carry out the purpose of the section, which is to build low-rental housing.

Mr. FULTON: I know that.

Mr. HOWE: I know you do not understand it, but I am telling you what the purpose of the section is.

Mr. FULTON: And I am asking the minister whether he can justify such a ridiculous purpose, because if you can build low-rental houses and there is no greater risk in enabling people to buy the houses back, all houses should be put under that section. However, if the minister has made up his mind I will not argue further about the matter, though I do not see the basis of the decision.

Mr. KNOWLES: Does it not boil down to this, that the minister and the government do not wish to make it possible for home owners to get money at three per cent?

Mr. HOWE: Not at all.

Mr. FULTON: That is the effect of it.

Mr. KNOWLES: That is precisely the effect of the ruling that home owners must come under the section that requires payment of four and one-half per cent. This special provision of three per cent is made available only to these other limited-dividend companies or cooperatives who are building homes for rent. The point which we are trying to get across to the minister, and which we tried to get across to the Minister of Finance in the budget debate, is that this is what cooperatives are for, not to make a profit but to save money to the members of the organization. The hon. member for Cariboo has given figures to indicate the type of saving that could be effected. The minister has already admitted that ten individuals in a cooperative in the case he cited could each come under part I of the housing act, and there is certainly no greater risk if the ten of them come together under this proposal. As a matter of fact, there would be less risk because of the nature of cooperatives. It seems to me that what we have here as in the other debate is a failure on the part of the government to recognize the true purpose of cooperatives and their valuable place in our economy.

Mr. IRVINE: The minister said a few moments ago that one of the reasons why cooperatives could not be considered as eligible under section 9 of the National Housing Act was that they were cooperatives only with respect to building houses. If they were cooperating on something else; if they were a cooperative that entered into some other kind of business, they would be eligible. I just want to point out that the cooperative organization of which I spoke a few moments ago, the York Mills Cooperative Home Builders, give the following as their objects and general programme;

The objects of the York Mills Cooperative Home Builders shall be as stated in the letter patent, viz.: cooperatively for the members,—

(a) To promote home ownership, and to buy, lease, sell, mortgage, exchange, administer, and otherwise deal in real and personal property, to deal in building of homes or other buildings required in connection with homes, and in the creation of parks, playgrounds, swimming pools and the like, with all equipment and accessories in connection therewith; and,

(b) to carry on in all its branches the business of landscape architects and landscape artists and in connection with such business to deal in, buy and sell flowers, shrubs, and every kind of plant and tree;

(c) to do all such other things as are incidental or conducive to the attainment of the above objects;

(d) to draw, make, exchange, endorse, discount, execute and issue promissory notes, bills of exchange, bills of lading, warrants, and other negotiable or transferable instruments.

That is only part of their programme; it is more than merely building houses, and it seems to me that should bring this organization right within the minister's own definition, as one that should receive the benefits of such an act.

Mr. HOWE: We shall see how profitable the other branches of the business are.

Mr. PROBE: The minister referred to the fact that the limited-dividend housing companies were intended merely to manage low-rental housing projects. In his definition of a low-rental housing project in section 25 he states an anomalous position, because he refers to a housing project undertaken to provide decent, safe and sanitary housing accommodation to be leased to families of low income, or to such other persons as the corporation, under agreement with the owner, may designate. In other words, I believe it is recognized, and was stated here in the house by one responsible minister of the crown, that these limited-dividend housing corporations were not necessarily entering the low-rental housing field. I hope the minister will correct me if I am wrong, but I do not think he can under the circumstances, because it is not intended that the low-rental housing project will be held exclusively for the marginal income group of individuals.

While I am on my feet, I should like to draw attention to the wording of paragraph 25, which is contained in section 5 of this bill. It seems to me, with my limited ability to phrase readable English, that the minister has left a loophole for limited-dividend housing corporations or companies to build slum-type dwellings, if I correctly read the word "exceeding" in line 40. It provides:

"low-rental housing project" means a housing project undertaken to provide decent, safe and

sanitary housing accommodation complying with standards not exceeding those approved by the corporation . . .

Apparently the corporation has certain other housing projects, but a low-rental housing project must not exceed that standard. In other words, it may fall below the standard. I should like the minister to consider rewording this section. My mind is not that of an attorney, as I have said, but to me this is an invitation to a limited-dividend housing company to get into submarginal construction. Perhaps we might have an explanation on that, and at the same time the minister might tell us the reason for the statement that as other, alternative tenants you may have such other persons as the corporation, under agreement with the owner, may designate.

Mr. HOWE: The purpose of the "not exceeding" is, "not exceeding a certain rental." In other words, the government is not prepared to lend three per cent money to build rich men's houses. The purpose is to keep housing financed by the three per cent loans down to reasonable rental. I may say that Housing Enterprises Limited is very much a borderline case. It is not the type of rental we hope to get with those loans. The standards of construction are, of course, approved by the corporation. The plans and specifications are submitted to the corporation and approved by it as well as by the local building authorities before any agreement is entered into. The "not exceeding" applies wholly to the economic rental.

Mr. PROBE: I applaud that meaning and intent on the part of the minister; but just listen to this again:

. . . a housing project undertaken to provide decent, safe and sanitary housing accommodation complying with standards—

Not rentals, but standards.

—not exceeding those approved by the corporation . . .

I defy any person who understands the king's English, or for that matter any lawyer, to tie that up with rentals. I think the minister must re-word this section.

Section agreed to:

On section 6—Powers of approved lending institution to loan on first mortgage.

Mr. HOWE: I have an amendment to this section which I would ask my colleague the Minister of Justice to move.

Mr. ST. LAURENT: I move:

That section 3 of the act as reenacted by section 6 of the bill be amended by adding immediately after the last word thereof the following:

[Mr. Probe.]

"and to protect the mortgage security, the said lending institution and the corporation may join in making supplementary joint loans to the borrower and in the taking of such other measures and steps as may be required in accordance with normal mortgage practice, to safeguard the interests of His Majesty and the said lending institution."

Mr. PROBE: Might we have an explanation of that?

Mr. HOWE: The purpose of the amendment is to assure that the lending institution and the corporation have power to perform the normal functions of a mortgagee in the handling of a joint mortgage account. It is occasionally necessary in the handling of a mortgage account to advance money for taxes, insurance premiums and other matters affecting the security, and in some cases to advance money to take foreclosure action. These are specific examples of what might be done under this clause. I may say the auditor general has expressed doubt as to whether the act permits the mortgage company to make expenditures of the type I have mentioned, to protect the property. In the case of a farm, it might be necessary to advance money as a loan for seed grain; and in a city it is frequently necessary to advance money to pay taxes to prevent loss of the property to the city. This is simply to make it abundantly clear that the corporation has the right to advance money for those purposes.

Amendment agreed to.

Section as amended agreed to.

On section 7—Contract with approved lending institution in respect to loans and resulting losses for rural housing.

Mr. PROBE: This section deals with the approval or at least with the inspection of farm homes for the purpose of lending money to be used in erecting houses on such farms. As was mentioned by several speakers this afternoon, to date the farm loan clause has been a failure. According to a recent report to the house, there was supposed to be one loan for farm housing alive somewhere in Canada. I paid a visit to the president of Central Mortgage and Housing Corporation a short time ago, in part to find out where this house was, but apparently he was in some doubt as to whether there was even that one loan in existence. There must be some reason why farmers have not been able to avail themselves of the terms of the National Housing Act. Would the minister indicate how extensively farmers have applied for assistance under this act, and what their reception has been. The absence of any loans in Canada in

ten or eleven years suggests to me that the act is not meeting with very favourable response, and that there must be a reason for it.

Mr. HOWE: There have been no applications for loans under the farm section. The one loan referred to was in Davidson, Saskatchewan, which I would describe as an urban rather than a farm loan. That application was made under this section. The reason is that, administratively, the section has proved to be impossible.

Mr. PROBE: Are you now amending it?

Mr. HOWE: We are amending it to make it workable, we think; and we hope to have it widely used as amended. The terms are being liberalized, and provision is being made for handling costs in connection with the making of loans, which are very much higher than costs in urban centres.

Mr. REID: In view of the fact that the minister's officials are now sitting in front of him, may I point out that under the old National Housing Act there were certain districts where applications for loans were made to lending institutions. Sometimes those lending institutions took the position that, owing to the fact that a city or municipality from which an application came was under heavy bonded indebtedness, objection should be raised to making such loans. I hope that under the new act this will not take place. I call the minister's attention to this point because it acted to the detriment of a person with whom I am acquainted.

Mr. PROBE: Would the minister indicate if the changes he is proposing with respect to farm lending are such that farmers of all provinces, without discrimination, will be able to avail themselves of the terms of the National Housing Act? I am chiefly interested in Saskatchewan, naturally, where the Central Mortgage and Housing Corporation has done very little business. I believe that only 199 houses have been built in the last year and a half with money lent by that corporation. Is there to be any discrimination in the matter of lending money for rural homes in Saskatchewan?

Mr. HOWE: The difficulty in making loans in Saskatchewan arises from provincial legislation. I believe that legislation is being tested before the supreme court, and about the end of October we should know what the position is. Obviously the provincial legislation is in conflict with the requirements of the housing act as it stands on the statute books.

Mr. PROBE: Have there been any negotiations between Central Mortgage and Housing Corporation and the Saskatchewan government dealing with those specific points of legislation, in so far as the National Housing Act is concerned?

Mr. HOWE: No, there have been no discussions. I happen to know that the point has been raised by the dominion, on account of the farm loan boards. I understand that a decision will be brought down in two or three months.

Mr. PROBE: There is no question as to the personal responsibility of individuals in that province.

Mr. HOWE: Not at all.

Mr. PROBE: It is just on account of the legislation?

Mr. HOWE: Yes.

Mr. PROBE: Because, after all, some question was raised as to the value of our government bonds. No doubt the minister is well aware that our bonds are travelling well above par at the present time, and it seems to me that financial institutions generally recognize that we are solvent. I think we are just as honourable as any other part of Canada, and I should like to impress that fact upon the minister. It seems to me that, without going into all this litigation the minister is talking about, we could still ask for the benefit of the act.

Mr. HOWE: The difficulty is that we cannot operate the act differently in one province from what we do in the other eight provinces. I know a great deal about the integrity of the citizens of Saskatchewan, because I dealt with them privately for many years. But it simply is the difficulty of administration, where one finds a law in direct conflict with the provisions of the measure we are now discussing.

Section agreed to.

Section 8 agreed to.

On section 9—Terms of contract.

Mr. KNOWLES: This afternoon, when the minister was speaking on second reading, he made some enlargement of his statement the other day respecting this section. I am sorry I did not get it down in black and white. Would he mind telling us again the addition he made with respect to the national parks.

Mr. HOWE: I thought I was correct when I spoke the last time, but since then I have found that in northern Quebec there is land

owned in fee by mining companies which operate company towns and which do not make the practice of selling land, although under the Quebec law they can grant a 99-year lease for the land. Such 99-year lease is quite satisfactory for security of the equity of Central Mortgage and Housing Corporation, and that might be accepted in lieu of ownership. This measure gives that power. The corporation must, however, be certain that the leasehold equity is practically the equivalent of ownership, so far as the purposes of the corporation are concerned.

Mr. KNOWLES: A week ago, when the resolution was under discussion, I asked the minister, as reported at page 3710 of *Hansard*, whether this section could be expanded to provide for limited-dividend corporations building homes on property they merely lease rather than own outright. The minister replied:

> I can hardly imagine a government agency lending money on houses where the control of the land is not permanently in the government.

The statement the minister has just made is generous on his part; but the thing that bothers me is that, a further extension of what this may mean now having come to light, still more may be involved in the wording of the section. It seems to me that the minister should word it a little more closely than it is now worded, to make sure that it will not be used to cover more than he has already indicated.

Mr. HOWE: I am prepared to admit that the section is wide open. It permits the corporation to lend on housing on leasehold land.

Mr. KNOWLES: That is, it permits what a week ago the minister could not imagine the government doing.

Mr. HOWE: I could not imagine it then, but I find now there is a reason for it. In grants to mining companies or paper mills it is quite often the policy not to sell but to give long-term leases. If a lease is for ninty-nine years, that is regarded as suitable security. May I say that when I spoke a week ago I spoke in good faith, because I understood that the sole purpose of the amendment was to take care of the situation at Banff and Jasper.

Mr. KNOWLES: I do not doubt the minister's good faith of a week ago, but I doubt his judgment now.

Mr. HOWE: Perhaps so.

Mr. PROBE: I feel the minister would have every justification to make it possible for residents to build on crown lands in national parks which they intend to hold in perpetuity. After the word "lessee", he can add two or three words such as "of crown lands", or their legal equivalent, which would make it possible to provide housing on crown lands that are national playgrounds or resorts. I take strong objection to money being lent by the Canadian people to individuals who are simply tenants of large corporations which are exerting a permanent hold on any given property. It seems to me that this provision would not be dangerous if it referred to land in the hands of either the dominion or a provincial government, but beyond that I feel the the minister should not go.

We do not want to perpetuate the land holding system of England which, as the minister knows, is now causing considerable difficulty in connection with the housing programme. Even before the present Labour government came into power, there was trouble because of the manner in which land was held by family corporations. It seems to me that we are moving backward rather than forward if we leave this section unchanged. The minister has said that the purpose of this was simply to make it possible to build in national playgrounds. Why not state it in that way and let the other people sell their land rather than just lease the right to build houses?

Mr. MERRITT: I want to refer again to the lending value. If the minister cannot give us the cost per square foot I wonder if he can give us some idea of what percentage of the total cost of a small house, say one costing up to $7,000, the prospective home owner has to put up? In the example I cited to-day, it appears he would have to put up 32 per cent. If the corporation and the lending institution put up only 68 per cent we are not very much better off than we were before we had the act. It is my understanding that private lending institutions will lend 60 per cent as a normal practice.

Mr. HOWE: A four-roomed house built in Vancouver under integrated housing, in which case there is a cost limitation, costing about $5,500 would require an equity of about $600. In the case of a house costing in the neighbourhood of $6,500, the equity would run as high as $1,000. That is under integrated housing where profit limitation applies to the contractor.

Mr. MERRITT: I understand that, but am I to assume that it is the policy of the government to presume that, in the cases of houses built by ordinary contractors for veterans and others under part I of the act, exorbitant amounts are allowed for profit? Is that the

basis of distinction between an integrated housing scheme and one carried on under part I?

Mr. HOWE: We have no way of checking the profit made on a house not built under a government plan. If a contractor cares to limit his profits and operate under integrated housing he would have the benefits of priority for materials and so on. We assume that the only reason a contractor would not want to qualify under that scheme is that he wanted more profit than was allowed.

Mr. MERRITT: I do not want to get into a theoretical argument and I know the minister does not, but surely some practical figures must be available with relation to loans to home owners under part I of the act within the last six months or so which would give us some idea.

Mr. HOWE: I would say it varies a great deal. Certainly he could get no more favourable terms than those I have quoted if they operated under integrated housing, but they may be much higher if the builder is taking a larger profit.

Mr. MERRITT: According to the minister's statement the other day, the present cost of houses is estimated at 150 per cent of the 1939 cost. Why not find out what the cost of a house is to-day and work out your lending value in relation to that rather than use a base line which, so far as I can find out, is not used by any other agency?

Mr. HOWE: I do not know anyone who is building more houses than the Department of Reconstruction and Supply. We know to a gnat's eyebrow how much it costs to-day as compared with the cost in 1939.

Mr. PROBE: I am still not satisfied with paragraph (a). Will the minister explain just why that clause is left wide open for the building of houses on leased property? Is the minister quite happy over the fact that by the terms of this bill any landlord may ultimately acquire a house which a tenant has put on his property and paid for? That will be the ultimate goal of various individuals who will use this legislation. Why could this paragraph not be reworded?

Mr. HOWE: I am not very keen anyway about the section and I would be quite willing to limit it to parks. However, I am told that that would prevent the building of certain projects in northern Quebec where the transfer of property is not possible, but where it is possible to obtain a ninety-nine year lease. I believe this has something to do with the mining laws of the province.

Mr. PROBE: I would suggest adding the phrase "of crown land" after the word "lessee", or some equivalent wording. Then this concession could be made where the land is perpetually owned by the people of Canada in the right either of the dominion or of a province. If it is held by some corporation which is simply subleasing the mineral rights, then I think we are starting up a dangerous business. I should like the minister to give some assurance on that point.

Mr. MICHAUD: I do not know about the other provinces, but in my province we have continued the old English practice whereby land is leased for building purposes on long-term leases, 99 years or 999 years. I have drawn up hundreds of such leases. In many cases, the owners of the land do not wish to dispose of the fee simple and they divide up their land into building lots which they refuse to sell. The land upon which my home is built is under such lease. I have not approached the lady who owns the land, but I know others in the vicinity have and she definitely refuses to dispose of the fee simple. These particular leases are for 999 years. There are quite a few in northern New Brunswick and some in the city of Saint John. Whether the practice should be encouraged or not, I am not prepared to say. The fact remains that the practice has become established, some people happen to be in possession of a lot of land under leases of that kind, and unless the act is amended as suggested they would not be eligible to operate under it. Insurance companies, for instance, when they hear of these leases inquire about them and, when they find what the situation is, they withdraw any objection which they otherwise would have to shorter leases. If the leases are confined to long-term leases I do not see anything objectionable about it.

Mr. KNOWLES: I think the minister has clearly revealed that he does not think this practice should be encouraged. I will quote again his words of a week ago, and I want to make clear that I am not doing so to suggest any bad faith on his part but rather to suggest that the snap judgment he made when I put the question to him a week ago expresses what he really thinks about this matter. He said at page 3710 of *Hansard*:

> I can hardly imagine a government agency lending money on houses where the control of the land is not permanently in the government. It could do it in the parks, because the control of park lands is in the hands of the government, but I cannot imagine a corporation lending money to build houses on land merely leased from a private citizen.

I went on to reply that I could not imagine it either, but that I wanted to be sure on the point. If the minister has a special case in mind, such as he has referred to in a mining area, I would suggest that some special provision be made for that in the section that relates to mining and lumbering operations. But let us not, in taking care of one special case, leave the door open to something which the minister himself says he is not very keen about.

Mr. HOWE: This is a big country and the hon. member for Restigouche-Madawaska has pointed out that it is the practice in New Brunswick to have long-term leases running up to 999 years. In the United States, of course, a large part of New York city is built on land under 999-year lease. The same is true of Great Britain. I see no reason why a limitation should be put in the act which would prevent a corporation from lending on what is practically a perpetual lease equivalent to ownership.

Mr. KNOWLES: Then we have got what I was suspicious of a week ago.

Section agreed to.

On section 10—Terms of Contract.

Mr. PROBE: Paragraph (f) says:

> The interest payable to His Majesty on the portion of the joint loan advanced by His Majesty shall be at such rate as is agreed upon between the corporation and the lending institution and set out in the contract.

What is that rate, and why is that rate not included in paragraph (f), or does the rate vary?

Mr. HOWE: It is simply to permit the rate to be varied with changing money conditions. The maximum is 4½ per cent. The interest rate on money may warrant a lower rate, but it cannot go higher than 4½ per cent.

Mr. PROBE: This is purely affecting the contract between His Majesty, represented by the corporation, and the lending institution. Am I correct in that?

Mr. HOWE: Yes.

Mr. PROBE: What rate of interest does the lending institution which borrows this 25 per cent, or whatever it might be, from the Central Mortgage and Housing corporation pay to the corporation for the money which it borrows and lends to the ultimate home owner? He pays 4½ per cent, regardless of how money fluctuates. What rate does the lending institution pay to the corporation? Is that a flexible and fluctuating rate? If so, why is the benefit of lower rates not also available to the ultimate purchaser, the man who borrows in the first place under the National Housing Act?

Mr. HOWE: The lending company pays the government three per cent for the money. It is the joint rate which provides the maximum for the borrower. The maximum is fixed at 4½ per cent. By agreement it can be lowered if money rates justify a lower rate. We hope that if present-day trends continue it will be possible to lower the rate to the private borrower.

Mr. PROBE: If money rates continue to decline, the private borrower under the housing act may expect to receive the benefit of that? That is why this is left in?

Mr. HOWE: That will certainly be the effort of those who are responsible for the administration of the act.

Mr. PROBE: Paragraph (k) on page 5 of the bill deals with a loan made to a builder. This is a new principle which is being introduced by the minister. Is there in the contract between the Central Mortgage and Housing Corporation and the builder who has built a house for sale a limitation of any sort on the profits allowed to the builder on resale to the ultimate purchaser, and, if so, what is it?

Mr. HOWE: My hon. friend is referring to the statutory provision for the integrated housing plan. There the profit margin to the borrower is limited by agreement.

Section agreed to.

Sections 11 and 12 agreed to.

On section 13—Corporation to safeguard interests of His Majesty.

Mr. KNOWLES: Subsection 4B(1) deals with the matter which has just been under discussion. The minister, when speaking on integrated housing, gave a short outline of the plan and statistics as to the number of projects that have been launched and the number of units included. Can he give the committee a little more information about this plan with particular reference to costs, selling prices of homes under it and what has been the experience thus far? What have been the selling prices provided for in these contracts, and how much profit do these selling prices involve? May I also ask him whether there is any difference in the amount of profit per unit between a project of twenty units and a project of 117 units? I use those figures because they are taken from his table.

Mr. HOWE: Under the agreement the builder agrees: (a) to provide land in any urban area; (b) to erect a specified number of houses thereon; (c) to apply for a loan under the National Housing Act in respect of each house; (d) to offer each house for sale for the approved lending value and certain carrying charges, plus the sum of $350 in the case of a two-room house, $425 in the case of a three-room house, and $500 in the case of a four-room house; and (e) to give preference to veterans in the sale of such houses.

Mr. FULTON: Under section 4B, subsection 3 (b) it is provided:

that such other things shall be done as the corporation deems necessary in order to carry out the intent of this section and to safeguard the interests of His Majesty.

There is, on the face of it, no great objection to that provision, except that it does seem to be very wide, and as such, I think, might be open to objections in the future, when possibly the corporation will say that it will require a prospective owner to carry out this or that undertaking, and the owner may say, "Well, that is not in the act." I think it might be desirable to have defined more specifically what is the intent, and within what range the corporation may make regulations under this subsection. Would the minister take that under consideration?

Mr. HOWE: I shall be very glad to. I think this is a special arrangement to meet a special condition. In other words, at the present time the demand is for houses for veterans, and low-cost housing is required; profit margins must be rigidly controlled. It may be that in later years the demand will be for another type of house, perhaps for others than that for veterans. It may fill up the demand for low-cost housing for veterans and require a different type of house. I think it is simply a flexible provision which will allow the regulations to be amended accordingly.

Mr. FULTON: The only thing I am trying to get at is this: in what sorts of categories may the corporation make these regulations? Will it be for planning, standards of construction, standards of maintenance, times and methods of repayment; or what categories of expression are intended to be given to the corporation under this subsection?

Mr. HOWE: This is an integrated housing plan; it simply provides for financing a contractor to build houses of a certain class with a profit limitation. As I say, present regulations require conditions which apply to the present day; in other words, it covers only low-cost housing for sale to veterans. I am simply pointing out that under this clause it may be desirable at a later date to encourage contractors to build another type of house, and this is a clause which provides that the regulations may be geared as the times may indicate.

Mr. KNOWLES: Does it work out that the profits in these cases are the amounts indicated by the minister, $350, $425, and $500?

Mr. HOWE: That is right, yes.

Mr. KNOWLES: Do I understand, then, that the profit bears no relation to the cost but is rather in relation to the number of bedrooms in the house?

Mr. HOWE: Well, we put on the lending value of the property; that is, the corporation sets the lending value, and these are the additions to the lending value which make up the maximum sales price. It is the lending value, plus the additions which we have shown here, that is the over-all price.

Mr. KNOWLES: I am still not satisfied as to the basis for the limited profit which is supposed to accrue to the builder per unit.

Mr. MacNICOL: What is the supposed average price of a low-cost house?

Mr. HOWE: It depends a great deal on who builds it. If Wartime Housing build it it is very reasonable, but if it is built by private capital it is about $6,000.

Mr. MacNICOL: That, in my judgment, is a very high price to ask any returned man to pay. I do not see how these men can pay for a house costing more than $3,500 or $4,000 and have anything left for themselves.

Mr. PROBE: With respect to subsection 6, I notice that in two cases it suggests that purchases made by Central Mortgage and Housing Corporation Act are listed as losses. Would the minister please explain this section? To me it reads that if the housing corporation buys a house from a contractor following a contract entered into between a corporation and a builder; if within a year he fails to sell that house, the corporation buys it back from him or guarantees to take it back, and that the amount it pays is written into the books of the corporation as a loss. I may be quite wrong. I can see in connection with subsection 5, referring to taxes, that you could write those down as a loss, but certainly not the price that the builder of the property is going to be reimbursed in a bookkeeping transaction; that certainly should not be written down as a loss.

Mr. HOWE: The reason the contractor cannot sell a house is, we will assume, that it is

priced above the market price. Under the guarantee we are obliged to take it off his hands at the price under the agreement. We assume that if the contractor cannot sell it at that price neither can we. Therefore the cost of the house to us is recorded as a loss until we sell it, and then the recovery is registered as a gain.

Mr. PROBE: You are holding an asset against a loss for the time being?

Mr. HOWE: Yes.

Section agreed to.

Section 14 agreed to.

On section 15—Loans for low-rental housing projects.

Mr. PEARKES: Referring to the amending section 9A of section 15, dealing with the scheme for providing houses in what are called the lumbering and mining areas, as I indicated in the resolution stage. I believe that that scheme will have a stabilized effect upon the industry. But there are a couple of questions which I should like to ask.

First, does the term "the lumbering industry" refer specifically to lumbering, because in British Columbia a lot of the forest industries are divided up into logging industry or logging operations and lumbering operations, pulp and paper operations. Will this include all these operations? In other words, are logging operations included under the general term of "lumber operations"?

Mr. HOWE: Yes.

Mr. PEARKES: Because some are quite distinct; they are merely dealing with the export of logs. I think it might help things if the words "logging and lumbering" were put in that paragraph, because we regard those as two distinct operations.

Mr. HOWE: We regard anything having to do with the cutting down of a tree as "lumbering" under the act.

Mr. PEARKES: It is not so regarded in British Columbia. We have operations which are solely concerned with the cutting down of a tree and the exporting of logs to mills either, shall we say, on the mainland of British Columbia or, sometimes, to the United States.

Mr. HOWE: I am proposing an amendment to this clause, and I shall be very glad to add the word "logging" to the definition.

Mr. PEARKES: Thank you.

There is only one other point I should like to make, on the same subject. I am not at all sure that the eighty per cent of the loan is adequate. I have had it represented to me that some of these logging and lumber companies have already invested practically all their fluid capital in the construction of mills. I can quote one instance where a new mill has been constructed, where new bunkhouses have been put up, and where thirty-five houses have been constructed by that company. The management of that company have written in to me that they are at the end of their available capital and that the eighty per cent is not adequate to enable them to finance another building project. They suggest that another 200 houses in that particular area are needed immediately. Is there any chance of the minister reconsidering that and allowing it to go up to ninety or ninety-five per cent, instead of keeping it at eighty per cent?

Mr. HOWE: I am satisfied that with the type of loan we are discussing eighty per cent is stretching it to the limit of what is prudent.

Mr. GIBSON (Comox-Alberni): With reference to this section, I wish to thank the minister very much for having introduced this legislation at the present session. During my travels through the constituency last winter, I found that one of the greatest causes of dissatisfaction among the workers in basic industries was the fact that the National Housing Act was not applicable to them in unorganized communities. I brought back a suggestion to the minister that something might be worked out along the present lines, and I wish to thank the president of the Central Mortgage and Housing Corporation, Mr. Mansur, for the excellent work he did in preparing the legislation.

It is about time we realized the great debt we owe the workers in our basic industries who have left their homes and gone to isolated places where they have contributed so much to the economic welfare of the country. During the war period, we lost some of our best loggers. Jobs were available in the cities and in the shipyards where they needed the type of workers we have; loggers are men capable of handling large and heavy loads and heavy equipment, and the men have now found that they do not wish to return to the woods if they cannot take their families with them. I do not blame them. The logger has become tired of endorsing his cheque every month and sending it a distance of two or three hundred miles to his family, simply having enough money once a year to get home for the Christmas holidays.

There has been some criticism of the minister as evidenced by the question that some people ask as to where the jobs are

coming from to employ the owners or the tenants of these homes in the urban areas. It is said that you are building homes in the cities, and it is suggested that the greatest feature about it is that these people will be close to the unemployment insurance office. In my opinion it is important to provide homes for men where there are jobs to be had, and in this legislation provision is being made to that end. As the hon. member for Nanaimo has said, it is difficult for companies that are trying to finance their operations, particularly under the present ceiling price of lumber in Canada, to provide extra working capital for the erection of homes for their employees.

One thing I might mention is this. One of the great causes of dissatisfaction in the lumber strike in British Columbia is the fact that a great many men have to travel two hours each way to and from work. Men working in Alberni have to travel two hours out in the morning and two hours back at night, so that they are actually working a twelve-hour day instead of putting in eight hours. Under this provision, the company could provide homes and that would obviate one cause of dissatisfaction.

One thing I would suggest to the minister—and I have discussed it with him to some extent—is the desirability of bringing fishermen under this section. It is confined to mining and lumbering operations, and I would appreciate it if the minister would give consideration to the fishing industry, bringing it under the same provisions as are extended to the others.

As regards cooperatives, about which we have been speaking, the minister is not partial to providing them with that type of loan. I believe that in my own constituency—and I have no doubt that other coastal members from British Columbia would say the same thing—we have fishing cooperatives of considerable substance, as the minister would discover, and they would probably be eligible for loans under a fishing section of this act. They would be excellent risks, and I can see no reason why they should not come under the heading of incorporated companies. I offer that as a suggestion to the minister.

Mr. HOWE: When I visited the Pacific coast last winter I was greatly impressed with the necessity for the type of housing covered by this section, but I had difficulty in working it out, and the advice of the hon. member for Comox-Alberni was helpful to myself and the department in finding a solution which we believe will be workable. I wish to make that acknowledgement at this time. I have an amendment which will include the fishing industry, and I would ask the Minister of Justice to move:

That subsections 1 and 2 of section 9A of the act, as enacted by clause 15 of the bill, be repealed and the following substituted:

"9A. (1) The corporation may on behalf of His Majesty, and with the approval of the governor in council, make a loan to a borrower engaged in the mining, lumbering, logging or fishing industry, to assist in the construction of low or moderate-cost housing projects in areas or localities that are adjacent to or connected with the operations of the borrower.

(2) For the purpose of this section the expression 'borrower' means an incorporated company engaged in the mining, lumbering, logging or fishing industry, and includes a company (in this section referred to as a 'subsidiary company') incorporated for the purpose of owning, constructing and managing a housing project, all the share capital of which, except directors' qualifying shares, are owned by an incorporated company (in this section referred to as the 'parent company') engaged in the mining, lumbering, logging or fishing industry."

Mr. ST. LAURENT: I so move.

Amendment agreed to.

Mr. PROBE: I hope that does not preclude some questions on the section as amended. Under a concession such as this, will the minister explain why a company which is borrowing from the Central Mortgage and Housing Corporation is favoured with a four per cent rate, while a cooperative, if it can borrow, has to pay 4½ per cent? I should like some explanation of that.

Mr. FULTON: May I ask whether, in the opinion of the experts of the department, for the purposes of this section an incorporated company may include a cooperative company, provided that it is definitely associated for the purposes specified in the section?

Mr. HOWE: If the cooperative is also a lumbering or logging company it will qualify.

Mr. MacNICOL: Or a fishing company?

Mr. HOWE: A cooperative simply for the building of houses in a lumbering area would not.

Mr. FULTON: If it is a cooperative logging company it will be covered?

Mr. HOWE: Yes.

Mr. MacNICOL: Would it include fishing companies?

Mr. HOWE: Hon. members will remember that there is a 4½ per cent rate for home owners and privately owned rental houses. In the case of loans to limited-dividend companies a three per cent rate is available. It is felt that outlying area loans should be at a

rate between three and 4½ per cent. The rate should be lower than 4½ per cent, because in every case we have the guarantee of the lumbering or mining company. Further, the company is subject to limitation of earnings on investment to the rate established for the mortgage. Therefore the mortgage rate must have relation to a fair maximum rate allowable on the company's equity. On the other hand, the rate should be higher than three per cent for limited-dividend companies, if for no other reason than that the housing will be of great advantage to lumbering and mining companies. In the light of these factors, we felt that a four per cent rate was appropriate.

Mr. KNIGHT: I should like to ask the minister the position in connection with lumbering camps, particularly. I realize that mining towns have more stability, more permanence, and it seems to me that lumber camps are fleeting things.

Mr. MERRITT: It is just the opposite.

Mr. KNIGHT: All right; you tell the minister that when I have finished. If a logging operation runs out, what is the position if we have what are called ghost towns? What is the position if the project is abandoned?

Mr. HOWE: The corporation must exercise care to see that the life of the loan is not longer than the life of the community or the operation. In my discussion of the bill this afternoon, I mentioned that the best possible advice must be obtained from appropriate authorities as to the life of the operation, and as to the appropriate type of housing. For example, housing for a short-term operation probably would be built on skids so it could be moved to another operation, if that were appropriate; but skill must be exercised by the corporation to see that their loan is protected, having regard to the nature of the operation.

Mr. MERRITT: Under subsection 6, which has to do with the terms of the contract, paragraph (a) reads shortly that the loan can be made only if evidence satisfactory to the corporation has been furnished as to the need for such housing accommodation—a perfectly proper provision—and that such housing accommodation will result in an increased number of people being employed in connection with the operation. It would seem to me that if there were a switch from bunkhouses to houses, so that people working in the operation were able to bring their families there, the purposes of the plan would be served. Surely it would not be necessary that these beautiful houses should bring many more people into the employ of the company. It seems to me that a logging operation or a mine has a set crew, and presumably they are there now even without the houses, if the project is being operated properly. I was going to suggest to the minister, in the first place, that this second provision, with regard to an increased number of people being employed, should be dropped altogether, or, in the alternative, that it be amended to provide that an increased number of people should reside in the area of the operation or in connection with the operation, rather than being restricted to an actual addition to the crew employed on the job. I think, too, that the retention of the men employed on one of these operations is perhaps just as important as increasing their number. One thing we should try to guard against is a continual turnover of men because they must go down to the cities to see their friends and their families. I wonder if the minister would consider making that change.

Mr. HOWE: It seems to me that the position at the moment is very much the same as slum clearance. We would like to undertake slum clearance. However, we are faced with the difficulty that if houses were torn down before alternative housing was available there would be real and natural resistance. If housing in lumber camps was torn down to provide better housing, there again it might be depriving someone who would have no other housing at all. I think the purpose of the act was not simply to improve living conditions for the men who happened to be there, but also to provide a better class of accommodation for an expanded operation.

Mr. MERRITT: Yes, but at the present time, as I understand it, the husband working there is living in the bunkhouse, while his wife and family are living in Vancouver or Victoria or Alberni. If you built him a house and took him out of the bunkhouse you still get his family out of the city, and free accommodation there. I believe in that way you would more quickly achieve the purpose you are seeking, without imposing this additional restriction. To my mind, it is a restriction that is unnecessary, in that it ties the hands of the corporation too much. The corporation could quite easily give preference to those cases which would increase total employment in the camp, in getting this thing started, and then come in with the type I am talking about later; but I think to leave it in the statute is to limit the scheme quite strictly and quite unnecessarily.

Mr. HOWE: Well, I will ask my colleague to move that the words "and that such housing accommodation will result in an increased number of people being employed" in lines 33 and 34 be struck out.

Mr. ST. LAURENT: I so move.

Amendment agreed to.

Mr. GIBSON (Comox-Alberni): Might we go back to subsection 4 of section 9A, where I read:

The loan shall be secured by a first mortgage or hypothec on the land . . .

Would the minister consider putting in the words "or second mortgage"? I know a great many lumber companies, in their depressed conditions, have already blanket first mortgages with the banks, and this might be a little restrictive.

Mr. HOWE: I am afraid we could hardly accept that. I think we must have a first mortgage.

Mr. KNOWLES: Despite the fact that the reference to providing employment has been struck out, I should like to comment upon the other side of the medal, as the Minister of Labour sometimes says. My colleague the hon. member for Saskatoon City asked what happens in the event that one of these places becomes a ghost town. I notice that paragraph (i) of subsection 7, on page 15 of the bill, reads:

The borrower during the term of the loan may with the approval of the corporation, and upon terms and conditions satisfactory to the corporation, sell under agreement for sale or lease and option, units of the said project to prospective home owners.

I am wondering whether among the conditions satisfactory to the corporation before it consents to the sale of individual units is a concern for the position of the individual employee who might be buying the house, in the event of the operation closing up.

Mr. HOWE: That is the reason for the approval of the corporation, that the sale be bona fide and not the sale of a ghost town.

Mr. KNOWLES: In order words, it is quite clear that the company cannot sell on its initiative, that it must have the approval of the corporation?

Mr. HOWE: That is right.

Mr. ZAPLITNY: I should like to refer back to paragraph (h) on page 9 of the bill, which provides that the maximum period for which the loan may be obtained is twenty years, or, under special conditions, twenty-five years. Could the minister tell us the minimum number of years for which a loan may be obtained?.

Mr. HOWE: My hon. friend is going back a long way. We passed it sometime ago.

Mr. KNOWLES: No, we have not. We are still on section 15 of the bill.

Mr. HOWE: My hon. friend is talking about the length of time for a mortgage on rental housing, is that correct?

Mr. ZAPLITNY: No. This refers to a joint loan which sets a maximum period of twenty years, and, under special conditions, twenty-five years. Is there a minimum as well as a maximum period, and, if so, how long is it?

Mr. HOWE: There is no minimum. The loan is ordinarily for twenty years, and can be for twenty-five years under certain sections. There is no minimum length of time. However, if someone wanted to borrow for ten years I should imagine that the corporation would be glad to lend on that basis, if conditions permitted repayment in that time.

Section agreed to.

Sections 16, 17 and 18 agreed to.

On section 19—Corporation may enter into contract with approved lending institution.

Mr. FULTON: The minister gave some explanation of this to-day. I think he said that the object of allowing a loan to aggregate $8,000, if the land is already mortgaged, was to enable refinancing of the mortgage to take place. But it seems to me that it may have another effect, that is that since a man whose land is clear can only get $5,000, it makes it more difficult for a man whose farm or land is clear of all encumbrances to institute a wise project than it does for a man whose land is already encumbered. It seems to me that this requires more explanation. If the land is already encumbered, the security is not as good. It should be made clear in the terms of the contract that the existing encumbrance must be paid off, and I have not found any such provision in the section. Would the minister give us more information about it?

Mr. HOWE: The corporation can lend only on a first mortgage. If there is an existing encumbrance it would be necessary to pay it off in order to give the first mortgage to the corporation. I think the two would be in exactly the same position. The size of the loan depends upon the value of the farm.

Mr. FULTON: Does it mean that an existing encumbrance must be $3,000 before one can get an $8,000 loan? If not, such person could borrow more than the man who has not already a mortgage?

Mr. HOWE: The principle is that he gets $5,000 for building his house; and if he requires to remove an encumbrance in order to qualify for the loan he can refinance that encumbrance up to $3,000. But in any event the loan for the purpose of building a house must not exceed $5,000 in the case of either unencumbered or encumbered land.

Mr. FULTON: The minister said that the corporation is allowed to lend only on first mortgage. Is that in the form of contract specified for their use or in the act?

Mr. HOWE: In the original act.

Section agreed to.

Sections 20 to 29 inclusive agreed to.

On section 30—Investigation into housing conditions.

Mr. PROBE: I note that under this the corporation will have the responsibility of causing investigations to be made into housing conditions in Canada. Prior to this time, I believe that was the responsibility of the minister. This might be the opportune time to ask the minister to give us a report on the state of housing in Canada, or to refer us to a booklet he recently caused to be published which would give us up-to-date information, somewhat more current than that found in the Curtis report of some years ago. What reports are available on the state of housing in Canada?

Mr. HOWE: I assure the hon. member that any report prepared on the subject by the corporation will be tabled in the house by the minister.

Mr. PROBE: We have had none yet.

Mr. HOWE: No; the study has not yet been made.

Mr. PROBE: Then, that is not helping us. Surely the minister has someone assigned to the responsibility of preparing statistics dealing with housing.

Mr. HOWE: Yes; there are ten people devoting their entire time to the study. But it takes time; the corporation is not very old.

Mr. PROBE: But the minister has been associated with the subject for some time. I am serious about this, and feel that we should have periodic reports. I should like the minister to tell us what is being done to make such reports available to the nation as to the state of housing. The minister has entered into contracts with certain corporations in Canada to provide certain housing materials. Surely to goodness a businessman will base his negotiations on contracts on statistical information of some kind. I maintain that the minister is remiss in not having reports available to us.

How many houses are we short in Canada at the present time? How are we to meet the housing needs of the people of Canada; or, to come more to the point, the people of Regina?

Mr. HOWE: I have made a fairly exhaustive report on that, in connection with the discussion on the resolution.

Mr. PROBE: And I read every word of it.

Mr. HOWE: I said that at the present time we are short 150,000 and that by next spring I believe it might be 180,000. I gave the results of the survey made to date. I have given several reports on housing, and I can assure hon. members that I shall keep the house advised from time to time on the position.

Mr. PROBE: Is there a publicity department? I read the minister's statement made to the house, and also heard it. Then, I was deeply interested in what he said that afternoon. However, it seems to me that what he gave was not an exact picture, but rather a rough approximation. If it is based upon statistical information, surely there is a written report to support it, one which we can study at some length. Is such a report available?

Mr. HOWE: The Department of Reconstruction and Supply prepares a report on the state of the nation—

Mr. KNOWLES: Yes, Mr. President.

Mr. HOWE:—every two weeks, I believe it is, or possibly every month. It is an interesting report. Indeed, as a rule I use it from which to make public speeches, and from time to time I shall be glad to make it available to the house.

Mr. KNOWLES: Do any of these figures the minister has bring up to date the kind of information given in the Curtis report?

Mr. HOWE: The Curtis report is largely out of date, owing to the enormous change in distribution of income. It was a valuable report at the time. The report made this year will certainly be out of date three or four years from now. However, the situation will be kept before the house in much the same form as the Curtis report, but in line with present-day conditions.

Mr. MacNICOL: Have we any record of the number of evictions that take place monthly, in Toronto for instance? Every time I go home I see a pile of furniture in front of some house; then next day I read in the paper that so-and-so was evicted and quite frequently it is a returned soldier. I have one case in mind on Dufferin street. This was a soldier who had a distinguished record. The situation is nothing short of appalling. They have the same serious situation in the United States, but I should like to know what we are doing to prevent it here?

Mr. HOWE: We have a close record of all evictions and we maintain close liaison with the mayor of Toronto in the handling of evicted persons. I might say that we have almost a running battle with every sheriff in the country in attempting to stop these evictions. My hon. friend probably knows that there was a court decision in Vancouver against our stopping evictions. A total of 179 evictions are being pressed in Toronto, and we are doing our best to stop their being carried out, but I am afraid, without success. We do our best, through emergency housing, to provide shelter for the persons evicted.

Mr. MacNICOL: I am glad to hear that. This particular returned soldier's family consisted of the father and the mother. A son had recently returned from overseas with a war bride, and there was a daughter who was seriously handicapped by ill health. The father and mother must now live apart in separate rooms, and the son and his wife are also living apart. I do not know what became of the daughter. The son came to see me when I was home the second last time, and he said it was driving them distracted to be separated. I hope something can be done to stop these evictions.

Section agreed to.

Sections 31 and 32 agreed to.

On section 33—Powers.

Mr. PROBE: Will this section permit a corporation to enter into an agreement with any housing agency other than those specified in sections 4, 8 and 9? I am hoping this will give the president of Central Mortgage and Housing corporation power to enter into contracts with cooperatives.

Mr. HOWE: This gives no right to lend money; it is just to cause the promotion of housing. The only change in the section is to change the word "he" to "it".

Mr. PROBE: Has any type of community construction been undertaken? That was recommended in the house last year, and I should like to know if any planned community has been undertaken anywhere in Canada?

Mr. HOWE: There are paper towns such as Marathon and the Kimberley Clark project, and there is the small scale project in Ottawa where we have some 200 houses in a separate community.

Mr. FULTON: Could the minister answer the question I asked earlier about the operations of Wartime Housing Limited for 1946 being cut off?

Mr. HOWE: We started in July, 1945, to undertake a programme which we called the 1945 programme, but it was October and November before a start was made. The result was that that programme was carried over into 1946. The programme for 1946 was cut off at June in order that the houses started under the 1946 programme could be completed in 1946. We are now undertaking a 1947 programme, and it is hoped that we can build the foundations for a good part of that programme in 1946, but as far as materials required for the superstructure of the houses and fittings and so on are concerned, these may come along later. We should like to concentrate upon finishing the 1946 programme before we commence working on the 1947 programme.

Mr. FULTON: It does not mean that you are not going to authorize any projects, or that projects just authorized recently are to be suspended?

Mr. HOWE: No.

Section agreed to.

Sections 34 and 35 agreed to.

On section 36—Advisory committees.

Mr. STEWART (Winnipeg North): What advisory committees have been appointed?

Mr. HOWE: The town planning committee was appointed, and a conference of town planning authorities was held recently in Ottawa. A permanent committee was appointed as liaison between the work of the corporation and the work of similar bodies in the provinces and municipalities. Then, there was the committee of the construction association which was formed to study the extension of building materials. I believe there are others as well.

Mr. STEWART (Winnipeg North): Might we see the reports of the construction committee?

Mr. HOWE: I shall be glad to table the reports.

Section agreed to.

On section 37—Loan insurance.

Mr. PROBE: Apparently this section provides for equity insurance, something that has been long overdue. We have had lots of concern for the creditor but none for the debtor. Apparently some arrangements are to be made, or perhaps they have already been made, because this is simply a rewriting of an old section, whereby the man who has borrowed money from Central Mortgage and Housing Corporation under this act or from a mortgage company is to have his equity protected in the event of death. What are the rates for this type of insurance in a typical case? Would the minister state whether he is favourably inclined to extending the principle of equity insurance to cover payments by the home owner under circumstances of all kinds?

Mr. HOWE: I am sorry to say that this portion of the act is completely inoperative at the moment. The Department of Finance met with the insurance companies and attempted to work out suitable provisions. I think hon. members will all agree with the desirability of permitting a man to insure his life in order that he may carry out an obligation such as the purchase of a house. However, I am sorry to say that suitable provisions have not been arrived at. Since the responsibility passed to the corporation, it has been so busy with other matters that it has not attended to this particular duty. I hope sincerely that it will be possible for the corporation to work out terms with the insurance companies which will permit the bringing into force of this section. The present amendment is simply to change the word "minister" to the word "corporation."

Mr. PROBE: There is no real difficulty in coming to an agreement? It is simply that the negotiations have not been carried on sufficiently long to bring about an agreement. Is that correct? In the event that that is not feasible, I would suggest that in any event the government undertake this insurance principle itself, because many home owners could not meet the physical requirements of an insurance contract. Then we could handle it in the same way as veterans insurance. However, I thank the minister.

Mr. KNOWLES: Bearing in mind that the wider the coverage, the lower the cost, I hope that any studies relating to this matter will include an appraisal of the possibility of doing it for all contracts under the act.

Section agreed to.

Section 38 agreed to.

Bill reported.

[Mr. Howe.]

Mr. HOWE: Mr. Speaker, with the consent of the house, since the amendments are very simple and we should like to see the last of this legislation, perhaps third reading could be given now.

Mr. KNOWLES: Often when we do this we get representations next morning, and that is too late. I have no desire to say anything further on third reading, but I think, in fairness, it should stand over until the next sitting of the house.

SUPPLY

Right Hon. L. S. ST. LAURENT (Acting Prime Minister) moved that the house go into committee of supply.

Mr. STANLEY KNOWLES (Winnipeg North Centre): Mr. Speaker, I realize that the government is in a position to call any order they wish, but I understood from the order of business given on Friday night last that we would go into supply only after we had concluded certain other business.

Mr. ST. LAURENT: If there is any objection I shall not press the motion. We are not exposed to running out of work for some time to come. The motion was made only for the purpose of calling items concerning the Prime Minister's office and the Department of Justice and letting them stand, without proceeding with the discussion of the items.

Mr. KNOWLES: Will the Acting Prime Minister indicate how many other departments have not yet been called?

Mr. ST. LAURENT: I think these are the only two, construing the word "department" as it has been construed since I have been here. The auditor general's items are usually dealt with as part of the affairs concerning the Department of Finance, and the items concerning the office of the privy council are usually dealt with as items relevant to the Prime Minister's office. They are the only ones that have not yet been called.

Mr. KNOWLES: If there were other departments I would not press my objection.

Mr. ST. LAURENT: If there is any objection I am quite willing to withdraw the motion, because I think we make more progress by cooperation.

Mr. JOHN BRACKEN (Leader of the Opposition): Mr. Speaker, if I might say a word, I was not aware that there were two departments not yet in supply. If it had been otherwise I would have been agreeable to following the minister's suggestion; but if there are only two departments that have not

yet been moved into supply, I suggest with all deference that we should not be asked to go into supply now, since there will be plenty of time to move those two in.

Mr. ST. LAURENT: If the leader of the opposition would prefer that we wait, there is no objection.

Mr. BRACKEN: It would deny the opposition the right to raise some matter on a motion to go into supply. That is what I had in mind. If there are only two departments not yet in, we shall not be holding up the work of the house by not going into supply now.

Motion withdrawn.

JUDGES ACT

CONSOLIDATION AND AMENDMENT—SALARIES, ETC.

The house resumed from Friday, July 26, consideration in committee of bill No. 250, respecting judges of dominion and provincial courts—Mr. St. Laurent—Mr. Golding in the chair.

On section 3—Eligibility.

Mr. HACKETT: We had not finished the general discussion, I think, Mr. Chairman.

Right Hon. L. S. ST. LAURENT (Minister of Justice): I think we were on section 3 when the committee rose.

Mr. HACKETT: It was my recollection that the hon. member for Cariboo had asked a lot of questions which were not answered. I wish to ask the minister about the provision for a division between a judge and his wife of the retirement allowance allotted to a judge on his retirement. I believe that, under section 26 of the Judges Act, county court and circuit court judges are retired compulsorily when they reach the age of seventy-five years. Under section 26A, which was enacted on August 15, 1944, it was provided that the judges mentioned in sections 23 and 25 might arrange that a portion of their retirement allowance would be payable to their wives. If I have correctly read sections 23 and 25, the option was not extended to county court judges or judges of the circuit court for the district of Montreal. I may tell the minister that I am referring for the moment in particular to county court judges. In fact, was the option not extended to them?

Mr. ST. LAURENT: It was, in fact, extended to them, but perhaps it would be more convenient for the members if we had this discussion when we get to the pertinent section of the bill, because it is dealt with in this bill. This bill purports to reproduce what was done in that regard in 1944, and there are sections which expressly deal with it.

Mr. HACKETT: I am willing to accept the minister's suggestion, but I thought that if we were still discussing the general terms of the bill, and since there are a number of sections involved, it might be more convenient to do it now. I am going to suggest to the minister—and I am doing it at the instance of the hon. member for Calgary West—that judges of the county courts who, under section 26, were forced to retire when they became seventy-five years old, might now be permitted, by an appropriate amendment, to make the option which was denied to them by section 26A, subsection 1 (a). It does not mean any increase in salary or any more money, but it would ease the minds of those county court judges who were retired before section 26A, subsection 1 (a) was passed if their wives were permitted to avail themselves of the benefits granted by that subsection. It affects a very small number of judges, a group which is rapidly diminishing, and would dispel a great anxiety which has overtaken many of them, especially in view of the decreased value of the dollar.

Mr. ST. LAURENT: I think I understand the point the hon. member wishes to make. If I do understand him he wishes to know if it would not be possible in this act to give gentlemen who had become pensioners before the provisions were made in 1944, allowing for an optional division of pension rights, the right to make that option at this time. That matter was under consideration both in 1944 and again at this time. The pension provisions enable the governor in council to issue to a judge who has retired letters patent giving him an annuity, and his right to an annuity then is evidenced by and founded upon his letters patent. It is not by virtue of the statute that he is paid the annuity, but because of the letters patent which have been issued to him establishing that annuity in his favour. When he gets those letters patent his contractual rights with the crown have come to an end; he has ceased to be a judge, and he has received a document which is full settlement of what the statute enabled the governor in council to grant him. It was felt in 1944 that these gentlemen, having received everything they were entitled to under the Judges Act, could not or should not be dealt with by amendments to the Judges Act. The amendments were made for those to whom the Judges Act still applied, and they were given the right to exercise an option. That right was extended to them for a period of ninety

days, and it was an irrevocable option. They were all notified that they had the right to exercise the option, and practically all of them did exercise it. But when we considered the preparation of a bill to be introduced at this time we did not think we could deal with this aspect, or with another application which has been before the government for at least twenty-five years; that is to say, for an amendment which would provide pensions for widows of judges. There are, I believe, over three hundred widows of former judges, some of whom are in straitened circumstances. It was felt that we could not deal with this class of retired judges still living unless we dealt with the widows of those who had predeceased them, and we felt that we could not do that until such time as we were putting before parliament something more satisfactory than at present exists with respect to old age pensions. That was the reason we felt that we could not single out one class of Canadians and ask parliament to make provision for them until there was something being done generally with respect to old age pensions.

Mr. KNOWLES: It is a good argument against the whole bill.

Mr. ST. LAURENT: No; I submit it is not an argument against the bill. The bill deals with the judiciary in office at the present time, and we are taking the responsibility of saying to parliament that we consider it desirable that these additional provisions be made for them, because they are the judiciary of the country at the present time.

Mr. HACKETT: And the judiciary of the future depends to some extent upon this measure.

Mr. ST. LAURENT: Yes, upon this measure, because it affects the judiciary in existence at this time. But I felt that it would not be proper to ask parliament, when dealing with the present and the future, to deal with pension provisions for those who had in the past served the country in a judicial capacity. It was that reason I had to give as an answer to a great many letters which I have received, and I must say that the answer has been accepted. I suppose there was not very much they could do but accept the answer, but I have not had anyone say that it was not a reasonable answer to make. I have had to answer the requests that were submitted to me, that more should be done at this time in this bill than it does provide for, and I have had to say that I did not feel that I should come to parliament and ask parliament to do more at this time than the bill envisages. It is for that reason that we have kept strictly to the situation which deals with the present and the future.

Mr. HACKETT: The matter has been considered?

Mr. ST. LAURENT: It was considered and discussed at great length; and I knew that even these provisions would not meet with unanimous approval. I did feel, however, that I could conscientiously recommend these provisions to parliament at this time, but that I could not go beyond, because there was nothing being done at this time for old age pensioners generally.

Section agreed to.

On section 4—Salaries of judges of Supreme Court of Canada.

Mr. HANSELL: On this section I wish to ask one question which could really apply to all the following clauses covering schedules of salaries. Does this schedule of salaries represent accurately what the judges really get? What I have in mind is this. I understand that judges carrying on some district court work in the provinces receive, in addition to their salaries, some amounts paid by the provinces. Would the minister enlighten us on that? I should like to get an accurate picture. Or are the amounts paid by the provinces included in this schedule?

Mr. ST. LAURENT: There are no amounts paid by the provinces to judges of the supreme court or judges to the exchequer court, nor to judges who exercise the functions of judges in admiralty or in divorce courts in the provinces. I have no official information about this matter, but my impression is that there are performed by high court judges in the province of Ontario duties for which each receive an additional sum of $1,000 from the province, and there are additional duties performed by district and county court judges where there is not more than one in a district or county, duties as surrogate judges, for which an additional sum is paid by the province. In the province of Quebec there are no additional sums paid by the province, and there are other provinces where I understand no additional payments are made. I do not know what the situation is in the hon. member's province.

Mr. LOW: There is paid $1,000 for the probating of wills.

Mr. ST. LAURENT: There are provinces where there is no additional payment for that purpose.

Mr. MacINNIS: I had a few words to say on the first section on Friday last. After I had finished the hon. member for Stanstead

(Mr. Hackett) took me severely to task. Since what I said at that time related to salaries, I think my reply to the hon. gentleman will be in order on this section, because it, too, relates to salaries.

I have listened to the hon. member for Stanstead on many occasions in this house and have appreciated and admired the way in which he could marshal his arguments and his facts, and whether we all agreed on the case he made out, it was certainly appreciated by myself. I was not in the house when he spoke on Friday, and I had only an opportunity of reading his speech in *Hansard*. May I say I have never seen such a conglomeration of inanities in a speech delivered by a gentleman of his legal standing. But what I take exception to mostly is what he said in regard to myself. It has no basis in fact, either as regards my personal character or as regards the philosophy which I accept and expound. At page 3910 of *Hansard* he said:

> The argument of the hon. member for Vancouver East is an expression of his own political philosophies; eloquently and cogently stated, I admit.

I do not know whether it was eloquently or cogently stated, but I was certainly dealing with facts. He went on to say:

> It is a statement of the doctrine of making everybody equally poor, which is a denial of the system which obtains here, namely, private initiative and competition. His is a socialistic system, a class system. Nobody must emerge ahead of anybody else. Everybody must be on a dead level of competence—or incompetence.

Did anyone in this house; did the hon. member for Stanstead ever in this house, hear me urging that we should bring everyone down to a dead level of poverty? As a matter of fact, everything I have said in this house has been said to try to raise everybody up to a high level of living. Surely, when I urge that the government of Canada should not increase the salaries of those who have already a high standard of living until it has done something to improve the standard of living of those who are grovelling in poverty, that is not to say that I wish to bring everyone down to the same dead level of poverty. If the hon. gentleman has not a better argument than that to put forward against my reasoning, it would be far better for him to hold his peace.

There are many things in his speech that are really not fair to the judges of the country. On the following page, 3910, he says:

> To-day the judicial office has gone begging for good men.

That is to say, the judges we have to-day are not good men. I never said anything of that kind, because I believe we have good men as judges. He says:

> To-day the judicial office has gone begging for good men. Oh, there are multitudes who are willing to serve. I admit that, but the best men are not available and we need the best men.

I maintain that that is a distinct reflection on the character and ability of the men who act as judges in this country to-day, and it was not I who made that statement. The hon. gentleman ended his speech with a most amazing assertion. He said:

> I say to the Minister of Justice, give to the judges an increase in salary; give it to them immediately, that they may protect their own virtue even if the government is not as solicitous of it as it should be.

Surely, if it requires a decent standard of living to maintain one's virtue, my attitude is away ahead of the hon. gentleman's. He wishes to maintain the virtue of a mere handful of people. I wish to maintain the virtue of the whole of the people of Canada. That is the difference between the doctrine that is held by my hon. friend and the doctrine that is held by myself, and certainly I am not ashamed of my doctrine.

I have served the people of my community for the past twenty-five years. I served them first on the school board in my city; I served them later as alderman in the city council, and by virtue of the service I gave at that time I am here. I would not be here if I were advocating such a doctrine as my hon. friend would have the members of the house believe I am advocating. As a matter of fact, his whole speech is all the proof that is required of the bankruptcy of his social thinking.

Section stands.

Progress reported.

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

Tuesday, July 30, 1946

The house met at eleven o'clock.

WHEAT

STATEMENT OF POLICY FOR WESTERN PRODUCERS—DOMESTIC AND EXPORT PRICES

Hon. J. A. MacKINNON (Minister of Trade and Commerce): Mr. Speaker, as the house has been advised, the government's attention has been directed for some time to the question of wheat policy for western Canada. The

United Kingdom-Canada wheat contract, signed on July 24 and announced to the house on July 25, is an important element in the new policy for western wheat producers that I now wish to describe. The contract establishes a market for a considerable proportion of the next four western wheat crops, with underlying price guarantees. This factor, along with the continued shortage of foodstuffs and the high prices of competing wheats, makes it possible to deal more generously with the wheat producer than I indicated in this house on March 20, 1946. At that time, I announced the continuation of the initial price at $1.25 per bushel basis No. 1 Northern in store, Fort William-Port Arthur or Vancouver, for the 1946-47 crop year.

The new policy is based upon an initial price of $1.35 per bushel basis No. 1 Northern in store Fort William-Port Arthur or Vancouver, applicable to all the wheat delivered to the Canadian wheat board in the five-year period from and including August 1, 1945, and July 31, 1950. The 1945-46 deliveries, based on an initial price of $1.25 will be brought up to a $1.35 basis by payment of a flat ten cents per bushel on all grades.

As the house has been informed, the payment of about 12 cents per bushel as participation on the 1943 crop is now under way. This participation payment will be followed by one on the 1944 crop the sale of which has progressed to a point where I am safe in saying that the participation payment will be upwards of 16 cents per bushel. After the ten cent payment on the 1945 crop has been made—to bring the initial payment up to $1.35—the plan is to place the remaining surplus from that crop in a five-year pool with the succeeding four crops of 1946, 1947, 1948 and 1949. Participation certificates will be issued in the usual way, but the payment on these certificates will not be made until after the conclusion of the five-year pool at July 31, 1950. In other words, the deliveries of all five years will be bulked in one pool, with the same initial price of $1.35 ruling throughout the period and the surplus resulting from the marketing of these crops will constitute the participation payments.

In connection with deliveries, there was, of course, no restriction on 1945-46 deliveries and it is the intention of the government to instruct the Canadian wheat board to accept all the wheat that producers wish to deliver in 1946-47. The best information we can get indicates a continued over-all world shortage of wheat and wheat flour in the coming crop year. Deliveries in the last three years of the pool will depend upon conditions of production and of markets. It will be provided in the new orders that the deliverable quantities will be determined by the governor in council before each new crop year, but in any event, the deliverable quantity shall not be less than 14 bushels per authorized acre. The latter provision should safeguard wheat producers against an extreme reduction in deliverable amounts, should available markets be smaller than we expect.

I should also mention the provisions for domestic and export prices. In the interests of general price control that benefits the wheat producers along with other Canadians, the domestic price of wheat will be continued at $1.25, with the government assuming carrying costs on the amounts of wheat used domestically. The government will continue to pay a drawback to millers covering the difference between 77⅞ cents and 125 cents per bushel on wheat used in Canada for human consumption. This is, of course, not a direct charge against the producer. With regard to export prices, the supplies for the United Kingdom will obviously be sold within the terms of the contract. In sales to non-contract countries, a serious effort will be made to sell at prices roughly corresponding to those of the other principal supplier—now, the United States. To this end, order in council P.C. 6122 of September 19, 1945, has been revoked. It will be remembered that through this order the government directed the Canadian wheat board for the time being not to exceed a sales price of $1.55 per bushel for No. 1 Northern in store Fort William-Port Arthur or Vancouver in its export sales.

It will be apparent from what I have just said and from the terms of the United Kingdom-Canada wheat contract that the government considers it wise and advisable to continue the Canadian wheat board as the sole purchaser of western Canadian wheat from the producers. The government believes that the great majority of western producers are satisfied, for the present at least, with this method of marketing. The present powers of the Canadian wheat board will be extended under the National Emergency Transitional Powers Act for the duration of this statute. When it expires, the government will direct its attention to the form and authority under which the board's powers may be further continued.

Other powers of the board, such as delivery quotas, will continue to be employed as in the past. For 1946-47, however, the quotas will not be finally restrictive but employed for the purpose of fairly dividing elevator space and railway cars among all the producers.

The representations that have been made to the government by spokesmen for the organized producers of western Canada stress their great desire for stability, so far as it can be attained by government action, during the post-war years. I think it can be fairly said

that the policy I have outlined helps the producers materially toward that objective. There is no question that the wheat producers have made possible the success of domestic price control by immediate sacrifices in their 1945-46 and current export prices. These sacrifices have also assisted in overseas rehabilitation. The government is convinced that the outlined policy will give fair and comparatively stable returns to the producers, so far as it is within the power of the government.

Mr. JOHN BRACKEN (Leader of the Opposition): Mr. Speaker, I wish to commend the minister for certain aspects of the announcement he has just made. I should like to ask one question which has to do with the non-deliverable wheat after this year. As I understand the minister's statement, he made four or five definite announcements. First, the initial price is to be increased from $1.25 to $1.35; second, the participation certificates are to be increased from 12 cents to 16 cents.

Mr. MacKINNON: For one year.

Mr. BRACKEN: Third, the Canadian wheat board is to be continued; fourth, all the wheat from this year's crop is to be accepted under the present terms, and fifth, the dominion is to assume all the cost of carrying the domestically used wheat.

Mr. MacKINNON: Assume the carrying charges.

Mr. BRACKEN: I understood the minister to say that there is no assurance that more than 14 bushels would be accepted in any one year after this year. Am I correct?

Mr. MacKINNON: Included in the statement is an announcement that the amount of wheat that will be taken from the producers each year will be reviewed each year, but there will be a minimum of 14 bushels per authorized acre.

Mr. BRACKEN: For each of the four years after this year?

Mr. MacKINNON: Each of the three years. The period for 1945-46 is almost past. For the next year we are taking all the wheat, and for the following year a minimum of 14 bushels per acre.

Mr. BRACKEN: It would be the next three years after this year?

Mr. MacKINNON: Yes—for 1947-48, 1948-49 and 1949-50.

Mr. WRIGHT: Is it the intention of the government to continue the wheat board as the marketing agency for coarse grains as well?

Mr. MacKINNON: Yes, as has been done for several years.

PRIVATE BILLS

FIRST READINGS—SENATE BILLS

Bill No. 311, for the relief of Joseph Alphonse Christen.—Mr. Maybank.

Bill No. 312, for the relief of Edmund Lionel Hurd.—Mr. Baker.

Bill No. 313, for the relief of Gladys Elsie Larivière Doyle.—Mr. Baker.

Bill No. 314, for the relief of Ernestine Ann Lathrop MacNaughton.—Mr. Baker.

Bill No. 315, for the relief of Irving Vengroff.—Mr. Maybank.

Bill No. 316, for the relief of Robert Malcolm Dickenson.—Mr. Maybank.

Bill No. 317, for the relief of Gwendolyn Edith Edson.—Mr. Maybank.

Bill No. 318, for the relief of Bernice Mae Skidmore Weale.—Mr. MacLean.

Bill No. 319, for the relief of George Christie Henderson.—Mr. Maybank.

Bill No. 320, for the relief of Marie Lauretta Eliennette (Rita) Vallerand Barraclough.—Mr. Maybank.

Bill No. 321, for the relief of William Thomas Bennett.—Mr. Maybank.

Bill No. 322, for the relief of Edna Marjorie Pitts Wellington.—Mr. Maybank.

Bill No. 323, for the relief of Josephine Isabelle Nicholls Broglie Geoffrion.—Mr. Maybank.

Bill No. 324, for the relief of Rose Hannah Colbeck Grant.—Mr. Maybank.

LABOUR CONDITIONS

PRISONERS OF WAR IN HARVEST OPERATIONS

On the orders of the day:

Mr. H. O. WHITE (Middlesex East): Mr. Speaker, I should like to direct a question to the Minister of Labour. In view of the urgency of harvest operations, would the minister consider the request of the farmers of western Canada that the hours of work of prisoners of war engaged in harvest operations be from 9.15 a.m. to 5.00 p.m. daylight saving time, instead of from 8.15 a.m. until 4.00 p.m.? Four o'clock daylight saving time is really mid-afternoon.

Hon. HUMPHREY MITCHELL (Minister of Labour): I can assure my hon. friend that the matter will be discussed with the Department of National Defence which has jurisdiction over prisoners of war, the Department of Labour being merely the placement agency I am sure that all hon. members, irrespective of the side of the house on which they sit, are anxious to help the farmers in this very difficult time.

UNITED NATIONS

PARIS PEACE CONFERENCE—POWERS OF SMALL NATIONS—CANADA'S STATUS

On the orders of the day:

Mr. JEAN-FRANÇOIS POULIOT (Témiscouata): Mr. Speaker, before the orders of the day are called perhaps I may be allowed to trespass upon the exclusive extraterritoriality of the hon. member for Peel (Mr. Graydon). I see in the morning paper that a representative of a British dominion has demanded in Paris that the small nations be allowed greater power. I should like to know if Canada, a sister dominion, is still a small nation or a middle power.

Mr. GLEN: Mr. Speaker—

Mr. POULIOT: The question is a reasonable one. I want to know if Canada is a small nation or a middle power, and why and when it occurred.

Right Hon. L. S. ST. LAURENT (Minister of Justice): I think the hon. member knows Canada as well as any of us, and he will have to arrive at his own opinion as to what class she is in.

Mr. POULIOT: My opinion is that Canada is not a small nation.

EXTERNAL AFFAIRS

CANADIANS HELD BY GOVERNMENT OF YUGOSLAVIA

On the orders of the day:

Mr. GORDON GRAYDON (Peel): Mr. Speaker, I desire to direct a question to the Acting Secretary of State for External Affairs. I note that in answer to a question raised in the United Kingdom House of Commons yesterday the Minister of State, Mr. Noel Baker, said that he understood five Canadians were among the British subjects at present held by the Yugoslavian government. I desire to put to the minister the following questions: (1) Does this statement coincide with the information possessed by the Canadian government? (2) What are the names of the Canadians so held? (3) What are the reasons for such detention? (4) What steps is the government taking to see that they are released?

Right Hon. L. S. ST. LAURENT (Acting Prime Minister): Mr. Speaker, I shall have to take the hon. member's question as a notice and see if there is information available upon which proper answers could be based.

[Mr. Mitchell.]

TOMAHAWK IRON MINE

REFERENCE TO STATEMENT IN "CANADIAN MINING REPORTER"

On the orders of the day:

Hon. J. A. GLEN (Minister of Mines and Resources): Mr. Speaker, the hon. member for Peel (Mr. Graydon) asked a question of me on Friday last regarding a report in the *Canadian Mining Reporter* dealing with the Tomahawk Iron Mines Limited. I have a reply here which is very lengthy and with the consent of the house I would ask permission to have it placed on *Hansard* as an answer to the question.

In the July 26 issue of the *Canadian Mining Reporter,* serious charges are made against certain officials of the mines and geology branch in connection with work performed and reports made for Tomahawk Iron Mines Limited.

At the request of Mr. C. F. Edwards of that company, the bureau of mines conducted concentration tests on a five-ton sample of their ore to determine if a high grade (99 per cent) metallic iron powder could be prepared on a commercial scale. The results obtained were not encouraging with respect to the production of such a high-grade product and were so reported. It was explained to Mr. Edwards that a commercially acceptable iron powder could be prepared, though this would not command the high price aimed at by him. We have no reason to doubt the ability or good faith of the officers concerned with these tests.

At the request of Tomahawk Iron Mines Limited, Doctor T. L. Tanton, a geologist on the staff of the geological survey, spent several days examining the magnetite occurrences on the Tomahawk property and subsequently submitted a report which he concluded by expressing the opinion that no body of iron ore of economic importance had been revealed. Doctor Tanton has been the geological survey specialist on iron ores for some years and the department has had no reason to question his ability or integrity.

The article in the *Mining Reporter* lists seven specific questions, and I shall read, for the benefit of the house, these questions and my answers to them:

Answers to questions asked by the *Canadian Mining Reporter* of the Hon. J. A. Glen in its issue of July 26, 1946, in regard to the mines and geology branch and Tomahawk Iron Mines Limited:

1. Question: What is Doctor T. L. Tanton's previous experience in the realm of magnetite iron geology?

Answer: Dr. Tanton's experience with iron ores dates back at least twenty years, and has

been concerned with deposits of all types, magnetite included, and in different parts of Canada. Much of his field work during this considerable period has been devoted to the examination of iron ore both of productive properties and of various occurrences and prospects. Doctor Tanton has served on the field staff of the geological survey since 1913. He received his undergraduate education at the university of Toronto, from which he obtained his B.A. degree in 1911 and his M.A. degree in 1912, and continued with post-graduate studies in geology at the university of Wisconsin, under such internationally known iron experts as Professor C. K. Leith, eventually securing his doctorate degree in geology in 1915.

2. Question: Has the bureau of mines any recognized magnetite iron expert on the staff of its geological survey? If so, what is the name of the expert and what is his experience?

Answer: The geological survey is not part of the bureau of mines but of the bureau of geology and topography. These two bureaus are the main components of the mines and geology branch of this department. The recognized magnetite iron expert on the staff of the geological survey is Doctor Tanton and his experience and qualifications have been given above.

3. Question: Are the bureau's ore dressing laboratories suitably equipped for the efficient concentration and examination of magnetite?

Answer: Yes.

4. Question: If so, why did they fail to produce a concentrate purged of impurities in as high degree as was done under Professor Lord's supervision at Queen's?

Answer: We have no information as to Professor Lord's report nor the technique he followed.

5. Question: If not, why did the bureau's laboratory staff at Ottawa presume to issue the damaging report which they released on this iron concentrate?

Answer: The report issued (No. 1775) was the result of carefully prepared tests on the basis of a tonnage mill operation. The results indicated that a 99 per cent metallic iron powder (which is considered the requirement for a high-grade iron powder) could not be produced, owing to the fact that the magnetite concentrate contained unreducible non-ferrous matter and that 100 per cent reduction is not experienced in an iron reduction process.

The conclusion in the report referred only to "high-grade" 99 per cent plus iron powder.

I am advised that no complaint has ever been received from Mr. Edwards or Tomahawk Iron Mines regarding the contents of these reports, but that on the contrary Mr. Edwards wrote as follows in a letter dated February 8, 1945:

"I would like to take this occasion of very sincerely thanking you and all the staff for your work and effort expended on the concentration of our magnetite to such a high degree of purity and for your very comprehensive and complete report on same. I can assure you that our appreciation of the efforts of the bureau of mines in our regard is very deep."

Again on March 31, 1945, Mr. Edwards wrote in part as follows:

"Thanking you in anticipation of your cooperation in this matter and again extending heartfelt thanks for your invaluable work done on the concentration of our ore."

6. Question: What person or persons in the bureau of mines "leaked" the damaging aspects of the Tanton and the ore dressing laboratory reports in advance of release to the public to the *Northern Miner*, enabling that newspaper to publish statements damaging to the company on what they "understood" the report would contain when released?

Answer: The geological examination and report on the property and the ore dressing work on the bulk sample were both done free of charge. In such cases the mines and geology branch reserves the right to make such distribution of reports as it sees fit. In this case copies of the reports were sent to Mr. C. F. Edwards of Tomahawk Iron Mines shortly after their completion and to Ontario government officials, as is our usual practice. Some time later in the spring of 1945 it was found that Tomahawk Iron Mines Limited was issuing what was considered misleading advertising in that it was quoting sections from the bureau of mines report which were favourable to its operations and omitting other parts of a contrary character. Because the manner in which this report was being utilized was unfair to the investing public it was decided that the company had forfeited any claim for confidential treatment of the results and the reports were released on authority of the director of the mines and geology branch. Mr. Edwards was advised of the reason for their release. Subsequently the Ontario securities commission saw fit to make a full investigation of Tomahawk Iron Mines Limited and to cancel its registration certificate.

7. Question: If, as stated, by W. B. Timm, director of the mines and geology branch of the bureau, in a recent letter to a director of the company, his office "is organized to assist in the development of the mining and metallurgical industries," what instructions are issued to staff members relating to external dealings in confidential material?

Answer: All members of the staff of the mines and geology branch are required to take the oath of office and allegiance on joining the public service. The first oath deals specifically with the fact that confidential information shall not be released. Confidential reports are released only on the authority of the chief, bureau of mines, or the director, mines and geology branch.

In concluding, I should like to say that the mines and geology branch is organized to assist in the development of the mining and metallurgical industries of Canada and endeavours to the best of its ability to fulfil that function.

IMMIGRATION

WIVES AND FIANCEES OF SERVICE PERSONNEL—TRANSPORTATION TO CANADA

On the orders of the day:

Hon. J. A. GLEN (Minister of Mines and Resources): Mr. Speaker, yesterday the hon. member for Peterborough West (Mr. Fraser)

asked if the transportation to Canada from Holland and Belgium of the wives and fiancees of ex-service men had been held up because the immigration branch had not officers over there, and if these wives and fiancees will now be given priority.

The movement of dependents of service personnel is wholly within the jurisdiction of the Department of National Defence. The immigration officers have nothing to do with their transportation. The fiancees are not entitled to any transportation priority. As a matter of fact there is no transportation at the present time to have them brought here.

As to inspectional facilities on the continent, I am dealing now with the governments of countries where we wish to place our inspectional facilities, and, as I stated a little while ago, we expect within a very short time to have these inspectional facilities established.

Mr. G. K. FRASER (Peterborough West): May I ask if these wives and fiancees will not have priority in transportation over the Poles? That is the question I wished particularly to ask.

Mr. GLEN: The Acting Prime Minister, in replying to the hon. gentleman's question yesterday, stated that his understanding was that these Poles were being brought here under arrangement with the United Kingdom government. There is no question of priority for the Poles; the wives will continue to have the priority they have always had.

Mr. RODNEY ADAMSON (York West): The minister said wives and fiancees. That is an enlargement, a good enlargement, is it not, on the rule?

Mr. GLEN: I did not say fiancees. The wives and dependents are under the jurisdiction of the Department of National Defence, and the question of their transportation does not fall within this department.

WHEAT

PAYMENT OF PARTICIPATION CHEQUES—HARVEST EXPENSES

On the orders of the day:

Mr. H. R. ARGUE (Wood Mountain): I should like to direct a question to the Minister of Trade and Commerce. In view of the rapidly approaching harvest in western Canada, will the minister announce when the wheat board cheques will be in the mail? Farmers need this payment to meet harvest expenses.

Hon J. A. MacKINNON (Minister of Trade and Commerce): I presume that the hon. member is referring to participation cheques for 1943. Many of these cheques are in the mail now, and the others will follow just as quickly as it is physically possible to get them out.

RYE

QUESTION AS TO CONTROL BY WHEAT BOARD—CEILINGS ON OATS AND BARLEY

On the orders of the day:

Mr. WILLIAM BRYCE (Selkirk): I wish to direct a question to the Minister of Trade and Commerce, of which I have given him notice. As we are nearing the close of the crop year, has the minister considered the advisability of putting rye under the control of the wheat board? If not, why not?

Hon. J. A. MacKINNON (Minister of Trade and Commerce): Mr. Speaker, the hon. member's notice of his question reached me just as I came into the chamber. Last February or March the leader of his party, the C.C.F., wrote me about this same matter, which is of considerable interest to many members of the house. At that time I made inquiries from my officers and received from them a memorandum which I think I can do no better than give in answer to the hon. member's question.

The hon. member asked whether the minister had considered the advisability of putting rye under the control of the wheat board. A proper appraisal of the rye position requires a number of observations. These are:

During the war the production of certain crops became a matter of national urgency and consequently the principle of established minimum prices was extended to include oats, barley, flaxseed and other oilseed crops. The dominion government felt that when producers were asked to increase the production of certain crops to meet wartime needs, minimum prices should be established in order to give the producer the necessary confidence in the products which were urgently needed. In successive wartime grain programmes rye was never included and at no time was the production of rye a matter of urgency. Producers who grew rye during the war years and since did so entirely on the basis of their own judgment and without direct encouragement on the part of the dominion government.

In the lack of any degree of urgency in the production of rye, it is difficult to find a reason why the dominion government should include rye within the scope of its national grain policies. In establishing measures in respect to wheat, oats and barley, the government was acting on behalf of crops which were produced

by most farmers in the prairie provinces and any policies established in respect to these crops had a broad significance to western agriculture. In contrast, rye is a crop produced on a very limited scale and is without significance to a very large number of producers in the prairie provinces. This situation may be illustrated by the following table showing the 1945 acreage of rye, wheat, oats and barley for each of the prairie provinces:

	Acreage			
	Rye	Wheat	Oats	Barley
Manitoba	26,000	2,132,000	1,697,000	2,139,000
Saskatchewan	259,000	13,610,000	5,717,000	2,672,000
Alberta	125,000	6,824,000	3,335,000	2,048,000
Total	410,000	22,566,000	10,749,000	6,859,000

It will be noted from this table that in 1945 rye acreage amounted to 410,000 acres as compared with a total of 40,174,000 acres seeded to wheat, oats and barley. These figures indicate that rye production in the prairie provinces is not sufficiently important nor sufficiently widespread to justify inclusion within government policies in the general interest of western agriculture.

For the reasons outlined in paragraphs 1 and 2, rye has not been included in successive grain programmes announced by the dominion government.

The only point at which dominion government policies have impinged upon the rye situation has been in connection with the maximum price regulations. When price ceilings were first published for grains in January, 1942, a ceiling was placed upon rye. This ceiling was removed in April, 1943, for the following specific reasons:

Maximum price regulations were intended to control price levels in Canada. Canadian consumption of rye is relatively small, the bulk of rye marketings going for export. Consequently, as far as price ceilings were concerned rye had very little significance. The Canadian consumer had practically no interest in the maintenance of a ceiling price for rye which was predominantly an export product.

The price of rye having practically no effect upon domestic price levels in Canada, the government felt that no good purpose could be served by continuing the ceiling price on rye.

The dominion government felt that the producer of rye, not having the protection of minimum prices, was entitled to whatever price could be obtained for rye.

Points 1, 2 and 3 combined led to the decision to remove the ceiling price on rye which represented the only control which the government had exercised—and only for a brief period—in respect to this grain. The question may be reasonably asked as to why a ceiling price was not maintained on rye and domestic ceilings enforced in respect to wheat, oats and barley. The answer is that the domestic price of wheat has a very definite effect upon living costs in Canada, and prices for oats and barley have both a direct effect and an indirect effect upon price levels in Canada. The major effect of the price of oats and barley is in relation to production costs of live stock and live stock products—very important items in the cost of living structure in this country. In short, control of the domestic price of wheat, oats and barley was essential to proper price control in Canada, while on the same basis, the maintenance of a ceiling price on rye was not important.

The rise in the price of rye has taken place on an open market and consequently it is difficult to appraise the validity of price levels as established. The price of rye can find its own level without limitation on the upward trend of prices, and without government support on a falling market. During the past two or three years prices have advanced and producers have been able to secure going market prices for whatever quantities of rye they desired to market.

The question at issue is not whether the price of rye is too high or too low. Fundamentally the question is whether or not the government should have intervened in connection with the marketing of rye in the first instance, and maintained a needless ceiling in the second instance. As pointed out earlier in this letter, it is difficult to find reasons why the dominion government should have included rye within its various grain programmes and should have maintained a ceiling price which had little or no significance in connection with the broad price policies which the government established in the general interest in Canada. These are the main points to be considered in connection with the rye position up to the present time.

Mr. WRIGHT: I should like to ask a supplementary question of the minister. Has the government given consideration to raising the

ceilings on oats and barley to bring the prices of these grains into conformity with the new price on wheat?

Mr. MacKINNON: I think that is a matter of government policy. When there is any policy to announce it will be announced.

COMMISSION TO BROKERS ON WHEAT SALES TO UNITED KINGDOM

Mr. ROBERT FAIR (Battle River): My question to the Minister of Trade and Commerce arises out of the statement he has just made; for that reason it has not been possible for me to give him notice. The question is, will payment of commission to brokers by the wheat board be continued on sales of wheat to the United Kingdom under the new agreement; and if so, why?

Mr. MacKINNON: That, Mr. Chairman, is also a matter which has been under discussion in the cabinet, but no decision has been arrived at, and it is a matter of government policy which will be announced at the proper time.

NATIONAL HOUSING ACT

AMENDMENT AS TO LOAN PROVISIONS—CENTRAL MORTGAGE AND HOUSING CORPORATION

Right Hon. C. D. HOWE (Minister of Reconstruction and Supply) moved the third reading of bill No. 306, to amend the National Housing Act, 1944.

Motion agreed to and bill read the third time and passed.

BUSINESS OF THE HOUSE

Right Hon. L. S. ST. LAURENT (Acting Prime Minister): May I be permitted to say a word of explanation with respect to the order of business to-day? Hon. members will recall that last night I stated that the Minister of Veterans Affairs would like, if it were agreeable to members of the house, to advance one stage the resolutions dealing with the legislation resulting from the recommendation of the committee on veterans affairs. There are already nine of these resolutions on the order paper—eight in the name of the Minister of Veterans Affairs, and one in the name of the Minister of Finance but dealing with veterans affairs. There are three more of which the text is in the *Votes and Proceedings* of yesterday, but those *Votes and Proceedings* have not yet been distributed, so I suggest that this be allowed to stand until three o'clock, when hon. members will have had the *Votes and Proceedings* and will have seen the other three resolutions which make up the twelve I mentioned last night.

[Mr. Wright.]

Mr. GREEN: They are out now.

Mr. BROOKS: The *Votes and Proceedings* are out now.

Mr. ST. LAURENT: I have not yet had an opportunity to see them, so if hon. members will allow that to stand until three o'clock we will proceed now with the budget resolutions.

Mr. T. L. CHURCH (Broadview): Mr. Speaker, there is one matter on which I will not take more than two or three minutes, and which has been raised several times in this chamber, about soldiers not being able to get into a house they have purchased. They spend their means and use up their credit and gratuities in buying a house, and then are unable to occupy it. A man's house is his castle; he wants to live in his own house. Will the minister look into it?

Mr. SPEAKER: Order. I must remind the hon. member that the bill to which he refers has been given third reading.

Mr. CHURCH: I was on my feet when the motion was called.

Mr. SPEAKER: We are no longer on that order of business.

Mr. CHURCH: Mr. Speaker, I claim the right to ask a question. No member has a copy of the bill, and if I have not got it I am going to appeal. I was on my feet when the motion was made for third reading.

Mr. SPEAKER: I must remind the hon. member that the third reading of the bill was adopted by the house; moreover that I put the motion to the house "that the said bill do now pass", and that motion also was adopted. Unfortunately for the hon. member, there can be no debate on a bill which has been passed. The house has proceeded to other business.

Mr. CHURCH: With all due deference, Mr. Speaker, I was on my feet when the motion was called. I wish to appeal from your ruling, because I wished to put my question on the third reading of the bill.

Mr. SPEAKER: No point of order is raised by the hon. gentleman.

Mr. CHURCH: I am a member of the House of Commons and I am going to do my duty. I do not intend to be interfered with on any technical interpretation of the rules.

Mr. SPEAKER: Order. I would say to the hon. member that on many occasions such as this I have been very polite and

generous to him and I did not want to tell him that it is sometimes hard for him to hear what is going on in the house; and this is why he does not rise at the proper time.

Mr. CHURCH: The bill was not passed when I rose; the assistant clerk had the bill in his hand, and no copies of it were available.

WAYS AND MEANS

The house in committee of ways and means, Mr. Macdonald (Brantford City) in the chair.

INCOME WAR TAX ACT

12. That for the 1947 and subsequent taxation years, the provision exempting the income of certain cooperative companies and associations be repealed and that for the 1946 and subsequent taxation years provision be made that there may be deducted from a taxpayer's income the aggregate of the payments made,

(a) in the taxation year or within six months thereafter to his customers of the taxation year; and

(b) in the taxation year to his customers of a previous taxation year after the 1941 taxation year and not previously deducted under paragraph (a) in respect of specified allocations in proportion to patronage for the said years the prospect of which was held forth;

(c) by the statute or by-laws under which the taxpayer carries on business or by his contracts with his customers; or

(d) by the taxpayer in a specified manner prior to the commencement of the taxation year except that portion of such payments as would if deducted leave the taxpayer with an income less than an amount determined by deducting from three per cent of the capital employed in the business, including therein borowed moneys, the interest paid by the taxpayer on borrowed moneys and deductible as an expense in computing his income.

Mr. BENTLEY: When the house adjourned on Friday night I had given the minister an example in which I regret I made an error in arithmetic of half a dollar. However, the illustration I gave him is on the record, and I should be glad if he would reply now to the question.

Hon. DOUGLAS ABBOTT (Acting Minister of Finance): When we rose on Friday night the hon. member had given an example with respect to the operation of the revolving fund, and he asked me this question: "At what stage does the government's plan say the fund has reached a level from which an increase in the revolving fund is considered to have taken place for taxation purposes?"

I think I can answer the question best in this way. A cooperative, like the one described by my hon. friend, will be permitted to deduct from its income for tax purposes patronage dividends paid to members or customers whether in respect of the current year or some earlier year. If it can be established that the patronage dividends have been paid, actually or constructively—and I explained what I meant by "constructively"—they are deductible, subject of course to the 3 per cent rule. The balance is the income of the cooperative and taxable in its hands. A cooperative is therefore taxable on any increase in its undistributed earned surplus. That is a simple statement of the proposed law.

One of the reasons for this rule is of course the difficulty of taxing as income in the hands of the recipient a patronage dividend declared by a producers' cooperative but not paid. To be specific, what is the value for tax purposes of a patronage dividend declared by a producers' cooperative but not paid? Is it the discounted value of a payment to be received several years hence? If so, what rate of interest is to be used, and what would happen if the patronage dividend were not paid when intended or were never paid?

I am adding this because I would not want any hon. member to think that the government is being arbitrary in its proposals on this point. There are strong practical reasons for insisting on actual or constructive payment—and, as I say, I explained the other night what is meant by constructive.

Mr. BENTLEY: We can take it that actual or constructive payment is the key to the whole thing.

Mr. ABBOTT: I think that is correct.

Mr. McKAY: It is my conviction that resolution 12 will still have very serious consequences to cooperative enterprises as it now stands. It seems to me that cooperative enterprise is so far-reaching in its effect upon the economic life of the Canadian people that anything that is done to limit cooperative activity is most undesirable and will because of its ramifications affect the lives of thousands of people. In the past, cooperatives have received reasonably good treatment at the hands of government. As a matter of fact most provinces have encouraged cooperative enterprise, and that of course is in keeping with the recommendation of the united nations conference on food and agriculture which in 1943 made certain recommendations which appear in the "Canada Year Book". While in convention in the United States, the conference recommended that all countries study the possibilities of further establishing producer and consumer cooperative societies in order to provide necessary production, marketing, purchasing, finance and other services.

Over the years cooperative development has been on a vast scale in this country. According to the "Canada Year Book" in 1942 member-

ship in the organizations from coast to coast was in the neighbourhood of 561,000 persons, and besides this there were over 600,000 patrons. In that year cooperative associations conducted business on a large scale, totalling in all over a quarter of a billion dollars. These associations embraced consumer cooperatives for the sale of petroleum, food and clothing in some 1,722 different organizations.

In the case of fruit cooperatives, largely located at the Pacific coast, stores were operated which provided fertilizer, barrels, boxes and spray materials for the growers, while on the western plains cooperatives handled fuel for tractors, feed and household needs.

In Saskatchewan a great producer cooperative operates for the marketing of grain, namely, the Saskatchewan wheat pool, which has a membership exceeding 125,000 persons. Other producer cooperatives include poultry, live stock and dairy products marketing. Indeed, cooperatives of this type are found in almost every province of Canada. To meet the needs of farmers for low-cost fuel, a cooperative oil refinery operates in the city of Regina and its record to date has been most encouraging.

On the coasts of Canada, both west and east, fishermen have banded together in some 67 associations. I believe that figure is up considerably now, because my figures are taken from the Canada Year Book for 1942. In these 67 associations there were some 5,000 members banded together for the purpose of processing and marketing their fish.

In the province of Quebec cooperative enterprise takes on a somewhat different form. There the credit unions have been most enterprising and on the whole most successful. Loans have been provided by these unions at interest rates considerably lower than those provided by the small loan companies, and profits are distributed to members in the form of patronage dividends.

Throughout Canada, in 1942, $137,000,000 in loans was provided by these cooperatives to the people, who in many cases would not have been able to obtain these loans elsewhere. That is the point which I wish to make most emphatically.

In order to provide fire insurance to farmers at low cost, some 150 farmers' mutual fire cooperatives are now functioning. In 1942 these organizations had risks valued at more than a billion dollars.

Finally I should like to refer to cooperative enterprise in the province of Nova Scotia. The hon. member for Cape Breton South is occupied this morning in the industrial relations committee and is unable to participate in this discussion. In Nova Scotia the British Canadian Cooperative Society of Sydney Mines was born because of the great need of the folk of that area during the depression years. It has been an outstanding success. The people have remained loyal to the principles of cooperation. Several stores now handle groceries, dry goods, meats, and men's wear, things the people who work with their hands must have. The society operates a bakery, a dairy and a tailoring department. Legislation which interferes with such development strikes deep into the lives of these people. There are many other hundreds of cooperatives, including group life insurance, which were born during the depression when thousands of people had to relinquish high-priced line company insurance policies. Cooperatives dealing with hospitalization operate in most of our larger cities. Rural people have set up cooperative telephone systems in places where private enterprise failed to provide them with that much needed communication service.

The scope of cooperative enterprise is vast. People in low income brackets were not only forced to group themselves together to sell their products most advantageously, but also to enable them to purchase consumer goods to the very best advantage. And now this resolution is presented to the house. In spite of what the minister says, cooperatives are of the opinion that the adoption of this proposal will restrict their activities and the general effect may well damage the whole cooperative movement.

There is a fundamental difference between a cooperative and a non-cooperative enterprise. Obviously the government does not recognize this difference in the resolution now before this committee. Differences were recognized in section 4p of the Income War Tax Act, and unless they are recognized now it will have a serious effect upon the cooperative development generally. Section 4p has been repealed, and so far as I can determine there is nothing specific to replace it. I am pleased to note, however, that the government is prepared to accept the representations which have been made by cooperatives and members of the house that there should be some differential between the treatment of members and non-members. The extension of the time for the payment of patronage dividends from six to twelve months is also an alteration in the resolution which commends itself to all cooperatives. However, I believe a longer period than twelve months will be much more acceptable. It has been suggested to me that twenty-four months would meet with the approval of all cooperatives.

If I understand the minister correctly, the revolving fund will be permitted to revolve even though set up subsequent to 1941. But the legislation before us will make it almost impossible for cooperatives to outlive a depression of any length of time. The cooperatives should have power to limit the amount paid out to ten per cent of the total in any one year, and in times of crisis to be able to suspend payments of patronage dividends entirely. If this resolution is adopted, members of cooperatives will not be permitted to use their own money in operating the business unless interest of at least three per cent is paid on the capital, or an alternative tax is paid on an equivalent amount. This, in effect, forces the cooperative into the position of a profit enterprise, and is contrary to the non-profit principle set up by the Rochdale pioneers. If individuals wish to place their money in the cooperative, interest free, they should have that privilege. Interest free loans were not uncommon during the war when the government was in grave need of money. After all it is the people's money, and this restriction on their use of it in cooperative enterprise without expecting interest should be removed.

I wish to place on the record a letter and two telegrams protesting against this proposed legislation. These telegrams and letters were received from cooperatives. One comes from the Saskatchewan Credit Society Limited of Regina. I shall read the resolution which was passed on July 26:

That this board urge most strongly that parliament adopt the recommendations of the royal commission on cooperatives with respect to the taxation of credit unions, including federations of credit unions whose membership may comprise other credit unions, cooperative associations, parishes, school districts and other similar bodies.

The first telegram comes from the Cooperative Union of Saskatchewan, and reads as follows:

Cooperative Union of Saskatchewan strongly urges first cooperatives be exempt three years from commencement of operations. Hardship to many new cooperatives if three year tax exemption confined to those organized after 1946. Second, exemption of retained patronage dividends if withdrawals subject to discretion of directors to protect cooperative; third, exemption of medical housing rural telephone electricity cooperative desired.

The second telegram comes from the cooperative association of Riceton, Saskatchewan, and reads as follows:

Our cooperative association and credit union urge that all new cooperatives be allowed three year tax exemption; that allocated dividends be exempt if stated reasonable term for payment announced; that federations of credit unions be included in same category as unions; that hospital, housing and electricity cooperatives be included.

In conclusion may I draw the attention of the committee to resolution 17 on cooperative movements which was passed by the united nations conference on food and agriculture, held in the United States in 1943, and attended by forty-five different nations. Section 3 of resolution 17 reads as follows:

The democratic control and educational programmes, which are features of the cooperative movement, can play a vital part in the training of good democratic citizens, and assist in inducing a sound conception of economic matters.

It is my hope, and I am sure it is the hope of every cooperative, that nothing will be done by this parliament to destroy the movement which plays such an important part in developing sound democratic citizenship, and which has done so much to create a better understanding of the economic life of our nation.

Mr. KNIGHT: There are two things which I like particularly about cooperation. The first is that it teaches men to help themselves, and the second is that it gives them an interest and a stimulus in helping each other. I am pleased to note that the government is showing a greater disposition to be fair to the cooperative organizations throughout the country. With its finger on the public pulse—and no one will deny it has that—it has sensed a growing resistance throughout this country toward legislation which would be unfair to such institutions. So I believe the minister is to give consideration to our representations, with a view to reviewing the whole situation before presenting the bill. True, the three per cent provision in respect of capital remains, but such excellent expositions were given on this subject by my colleagues from Dauphin and Cariboo that I shall be content to leave the record as it is.

Perhaps I should apologize for the observation I intend to make to-day, because of the simplicity of the matter which has come to my mind as a result of the question asked by the hon. member for Calgary West. At page 3960 of *Hansard* the hon. member said that the minister would first have to define a cooperative, and that then he would have to tell what profits are, and also what patronage dividends are. The committee may be disappointed in what I have to say, because I believe every hon. member could answer those questions, and none more ably than the hon. member for Calgary West. However

the issue has become so much confused, and the propaganda of the enemies of cooperatives so widespread, that I believe it would be wise to answer the hon. member's questions.

He has said that when he drives along the road in his automobile he comes to two little stores. He sees a sign in the window of one store and another in the window of the other. He goes into the store the sign of which he likes best, and there makes his purchase. He says there seems to be no difference in the operation of the two stores, and I take it he assumes there should be no difference in the treatment they receive at the hands of the taxing powers of the country. In what I shall say I shall ignore the large cooperatives, including the wheat pools, and shall confine my remarks to the small stores on the corners, as described by the hon. member.

First of all, the little store with the cooperative sign in the window meant nothing to the hon. member. He saw only a sign. Although it meant nothing to him, to me it means years of organization in that district. It means a protest against conditions as they were, and an attempt on the part of the people to do something about it. To me it means people gathering in meetings and, perhaps after repeated failures, electing a board of directors to look after their interests, and appointing a manager to run their store.

One would say that the stores are identical in appearance and in operation. They sell at the same prices. But here is one point I would call to the attention of the committee: The retail store has nothing to fear from the cooperative, as I know it. The enemy of the retail store is the same enemy as confronts the cooperative. Cooperatives have never cut prices. They have sold at the regular rates charged by retail merchants. They get their cut-back in patronage dividends. They do not interfere with the retail merchant in any way; nor will they, unless by unjust taxation they are compelled to cut their prices to a point where they will have practically no patronage dividends. It will be a sad day for the retail merchants of Canada when that takes place. If those merchants were wise they would not fall for the submissions of such organizations as the Income Tax Payers' Association.

To come back to the two stores: I am not a business man, but I would ask the committee to take note of the selling prices of the cooperative store which, for purposes of clarity, we shall call store A. The selling prices of that store are made up of three factors, the first of which is the original cost of the goods, the second the expenses in connection with the operation of the store, and the third the overcharge.

For the moment we shall leave store A and turn to store B, which is a cooperative but which operates in exactly the same way. Its selling prices consist of the original cost of the goods, the cost of operating the store, and the overcharge.

One will ask what the difference is. In reply one could say that a cooperative institution is an organization in which one finds a number of people who want to buy a certain article for a dollar. They find that by banding themselves together they can make the purchase for ninety cents. Would any sane man say they should be taxed upon the ten cents they do not pay for the article which they have been able to buy for ninety cents through the process of joining together? One would say that that is self-apparent, that it is oversimplification. I admit it is simple, but the actual process is just as simple as the description I have given.

What is the difference between the two stores, or the two processes of merchandising, which I have described? The whole difference lies in what is done with the overcharge. And by making an explanation of that I hope to answer the question of the hon. member for Calgary West when he inquired as to the meaning of profit and of patronage dividends.

Let us return for the moment to a consideration of store A, with its cost, expenses and overcharge factors. The overcharge of store A is paid back into the pockets of Smith, Jones and Thompson, who bought the goods and paid for them on the understanding that they were charging themselves a little too much with a view to holding something in reserve and taking care of the expenses in the operation of the store. So that overcharge returns to the pockets of those individuals who in the first instance paid money for the goods. This much is clear.

On the business done in store B all the overcharge paid by Jones, Smith and Thompson goes into the pocket of Brown, the owner of the store. In the first instance I believe one is using a misnomer when he refers to patronage dividends paid back to the people who originally made the purchases. In other words that money disappears; it goes out of the picture; it is no longer there as an overcharge. It is that part which was paid in excess when the purchaser bought his goods from store A, and has been returned to such purchaser. On the other hand in the purchases from store B the overcharge goes from the pockets of all the purchasers I have named

to the pocket of one man. This in simple language is I believe the definition of profit.

The minister will say that he is not going to tax such organizations, and of that I am glad. But I believe it is time someone, for the benefit of those who may be confused, should lay down facts as simple as those I have set forth.

The hon. member for Calgary West asked for the definition of a cooperative. In that connection I would bring to the attention of the committee a matter which I have already discussed with the minister's department and to which I received an answer. It has to do with a medical aid society which operates a branch in my city. I should like to have it defined as a cooperative which would escape taxation. This society has a large membership in the three prairie provinces, and is made up of employees of the Canadian National Railways. Its purpose is similar to that of other medical societies, namely that of providing surgical and medical care, in this instance, for the railway workers and their dependents. Why should there be any doubt about this organization being tax free? When the society was organized there was no suitable legislation then in force in Saskatchewan under which it would come and they had to organize under the insurance act. It is a non-profit organization, and we feel that it should be free of income tax levy. What would be the status to-day of such an association? The royal commission on taxation of cooperatives paid some attention to these non-profit making organizations. The recommendation No. 9 of the commission report reads:

> That associations incorporated or registered under provincial cooperative legislation, or incorporated as a cooperative under dominion authority, for the purpose of providing telephone services, distribution of electric power, or medical and hospital services, be exempt from income and excess profits taxes.

It will be noted that the legislation must be cooperative. At the time of the inauguration of this Canadian National employees association, although it is mutual and cooperative in nature, they were unable to register under a cooperative act. Although it has been overlooked, we are satisfied it was the intention of the commission to recommend that all such societies or institutions should be tax exempt. Can the minister tell us what would be the status of an institution of this kind?

Mr. ABBOTT: Offhand I would think that an organization of that kind would probably not have income within the meaning of the act and consequently would not be subject to tax. The question is a technical one, and I should like to take time to look into it. Perhaps I can give my hon. friend a more definite answer when we are on the bill.

Mr. STIRLING: I have had great difficulty in finding out just how this legislation will apply to the various cooperatives in the riding I represent, of which I suppose there are thirty or forty. Some are consumer cooperatives, there are producers' cooperatives, there is an egg producers' cooperative, a seed growers' cooperative, but the great majority are fruit and vegetable shipping houses. They receive produce from the farmer and they estimate that it will cost a certain number of cents per package to grade, pack and prepare for shipment. If it is found at the end of the season that they have deducted more than enough for that purpose they rebate to the producer so many cents per package. I think that could be described as being the simplest form of cooperative. Of course there is no profit.

This organization, in order to assist its members, may set up a store which sells feed, seed, tools, groceries and all sorts of things. Here again it endeavours to buy as economically as it can and sell as economically as it can, and at the end of the season it may be in position to make rebates, or possibly they would be termed patronage dividends to members and non-members alike.

From what the minister said in amendment two or three days ago I understand that the rebates or patronage dividends paid to members will be allowed as a deduction, but a deduction from what? This organization is occupied principally in handling and packing the farmers' produce, and it is only as a convenience for its members that it sets up the store. It surely cannot be conceived that the target amount of three per cent on capital can apply in this case, where but a small portion of the capital of the cooperative is tied up in the store which it runs.

I find it hard to ascertain what the three per cent really means. Am I right in assuming it is the amount which shall be considered to be taxable if the cooperative makes a profit and if, after deducting the patronage dividends paid to its members, it has left a comparatively small sum of money which is profit? We agree that a cooperative which makes a profit is taxable under this legislation, but is it to pay a tax up to three per cent of its capital when only a small part of that capital is used for the business which produces a small profit?

Mr. ABBOTT: I will see if I can explain it. The assumption is that the cooperative which my hon. friend has described, which

might be both a consumer cooperative and a producer cooperative, has certain employed capital, that is, it has certain capital tied up in buildings, machinery, equipment and perhaps as working capital of some sort. This being a small cooperative it may have from $10,000 to $15,000 tied up in that type of asset. The legislation proceeds on the assumption that capital as such earns a return *qua* capital. If I have $15,000 and I put it into victory bonds, I get three per cent. If I have $15,000 and I put it into real estate, I get the rental. If I am a business man and I invest $15,000 in plant and equipment, I get a return on that capital as distinct from the return I get from my business acumen and other aspects of my trading venture. If a cooperative employs $15,000 of capital—I am using that as an example—and has that much income, it is considered as earning three per cent on that $15,000. That three per cent of $15,000 will be considered as taxable income and subject to tax. The whole kernel of this three per cent proposal about which there has been so much discussion is that capital is considered as producing a reasonable return, whether it is in a cooperative, in a grocery store, in a factory, or anything else; and it is suggested here that three per cent on that capital is a reasonable return. I do not know whether I have made myself clear, but I have tried.

Mr. STIRLING: I gave an illustration of of what I conceived to be a true cooperative, that is, a business which receives the farmers' produce, grades it, packs it, prepares it for shipment, and sells it. There is no profit, because any excess over and above the cost of that work is returned at the end of the year. I understand from the minister that three per cent of its capital would be subject to tax.

Mr. ABBOTT: Not if it operated on the basis my hon. friend suggests and returned everything at the end of the year. A cooperative of that type would have no profit out of which it could pay interest on capital. A great many cooperatives will not have earned three per cent on their capital; if their operations are conducted in such a way that they do not have a taxable income, then the three per cent rule just would not apply. My hon. friend has cited what to me appears to be a combination cooperative, a consumer cooperative and a producer cooperative. It is perfectly true that for the producer cooperative the result may be no taxable income on that end of its operations, whereas on the consumer cooperative end there may be a profit. If you combine the two, some of the so-called profits on the consumer end of the operations may be income available for this three per cent return on invested capital.

Mr. STIRLING: In this instance we agree that the purely shipping house is a true cooperative and that there is no profit.

Mr. ABBOTT: I did not use the term "purely shipping house." It may so conduct its operations that it will not have a profit.

Mr. STIRLING: Now I will cite the case of such a cooperative, and we will say that eighty per cent of its business is in handling the produce of the farmer, but it wishes for the benefit of these farmers to set up this store. It employs but a fraction of the capital of the association, and surely it cannot be right to set up that as a figure on which taxation can be levied, three per cent of the total capital. Can it not be three per cent of that portion of the capital used for the purpose of setting up the store?

Mr. ABBOTT: I think my hon. friend is right, but I must reiterate that if the cooperative, for its own convenience or for reasons of its own, combines its producer and consumer functions, and if it has what is taxable income within the meaning of the act, then to the extent that it has capital invested in its general enterprise, three per cent on that capital must be considered as the return which the cooperative orgainzation has earned on invested capital. There has been a lot of talk that it should be perfectly free to members of cooperatives to lend money to a cooperative without interest. That is quite true. They are free to do it. That is their privilege. But the organization as such must be deemed to have earned a return on that investment, and that applies to any organization that has invested capital. I know it is a little confusing.

Mr. STIRLING: Take as an illustration this association whose primary business is the handling of the produce of fruit or vegetable growers. Such associations have their annual meeting in the winter, and the directors of the association put it to their members that they deduct from any moneys coming to the growers in the coming year the sum of money required as working capital, a levy, if you will, in the form of so many cents a package or so many cents a box. In that way it sets up what practically amounts to what is called here a revolving fund, although that is not the term we use in the Okanagan valley. I take it that that sum certainly is looked upon as the growers' own money and is in no sense a profit and therefore is not subject to tax.

Mr. ABBOTT: That is correct. I gave that answer to the hon. member for Fraser Valley the other night. If there is an agreement that so much per box or per barrel or per quart of milk shall be deducted for that purpose, my hon. friend is correct. But that cannot be determined solely by a resolution of the directors of the cooperative. The member himself must agree that there shall be so much deducted per box of apples or whatever it may be.

Mr. STIRLING: He must agree—what does that mean?

Mr. ABBOTT: Sign a contract, or send a letter to the association, the other contracting party.

Mr. STIRLING: Signifying his agreement?

Mr. ABBOTT: Yes, and the other contracting party is the cooperative association.

Mr. BENTLEY: The minister has left me a little bit confused. He was not consistent in his statement. He said in reply to the hon. member for Yale that if the organization pays out all its surplus in the way of dividends it has no income and is not taxable.

Mr. ABBOTT: I did not say that. My hon. friend was citing a type of cooperative which operates in British Columbia, where the growers enter into a contract with the cooperative whereby they get an initial advance and authorize the cooperative to hold back so much per box of apples or per quart of milk, which they get back at the end of the season if the money is not needed.

Mr. BENTLEY: Even in that case you are going to insist on applying this clause, "except that portion of such payments as would if deducted leave the taxpayer with an income less than an amount determined by deducting from three per cent of the capital employed in the business." That is to apply to the capital equipment.

Mr. ABBOTT: That is right. Some of the cooperatives may have substantial capital equipment which will not earn income within the meaning of the act, and against which three per cent could be allocated. That will probably apply in the case of a great many cooperatives. I think a lot of the cooperatives are crying before they are hurt. I think a great many of them will find that this three per cent rule will not apply.

Mr. BENTLEY: I am not clear on that, and I should like to have an authoritative statement on it.

Mr. ABBOTT: I am doing my best. I say again what I said the other night, that the process of trial and error is the best way to demonstrate how this will work. Admittedly it is a very complex question, and I can only do my best to explain it.

Mr. BENTLEY: I am going to give an example close to home. In Swift Current we have a cooperative association in which some people hold at the present time more capital shares than others, but we are gradually working to the point where all members will hold exactly the same number of dollars of shares, perhaps $10 per capital share. That is to provide the facilities we require for the distribution of our supplies and services. We have 1,500 members now, and hope to reach 2,000 in the next year or two. Then we shall have 2,000 members each with a capital share of $10. I can see no earthly reason for forcing us to pay ourselves three per cent on that $10 of capital equipment. It only means extra bookkeeping for us, and does not do the government any good. All it does is to make trouble for us. But it does establish one thing, and that is the government's determination that interest must be paid on capital, even if you are paying it back to yourself. If the reason for that can be made clear to me I will withdraw my objection.

Mr. ABBOTT: There is to be no compulsion to pay three per cent on the figure my hon. friend mentioned. If there were 2,000 members in the cooperative, that would presume $200,000 invested capital in plant and equipment. If that cooperative operates in such a fashion that it has no taxable income, there will be no three per cent on the $200,000 which will be considered as subject to tax. It might operate in that way. I think it would be within its power to do it if it operated as the hon. member for Yale suggested. But if it does not, if it operates in the ordinary way in which an association ordinarily operates, without any contract with its members to deduct a certain amount per box or per barrel and then refund it at the end of the year, it may end up the year with, let us say, for the sake of example, a profit of $10,000. It then proceeds to distribute the final patronage dividends. During the year, let us say, it has paid an instalment patronage dividend, but after it gets its accounts closed at the end of the year it finds it has $10,000, after estimating as closely as it could what it could pay out. Three per cent of $200,000 would be $6,000, and therefore of the $10,000 there would be $6,000 which would be considered as subject to tax, and $4,000 which it would be free to distribute in any way it saw fit. The $6,000 would be subject to tax at the present rate of 30 per cent, which would be $1,800, so $1,800 would be deducted from the $10,000, and the balance of the $10,000

or $8,200, would be distributed as a final patronage dividend for the year and the balance would have been paid as tax.

Mr. BENTLEY: The minister is getting a little closer to it, but—

Mr. ABBOTT: Perhaps I should add that if by any chance the cooperative had borrowed money, if it owed money and had paid interest on it, the interest on the borrowed money would be offset against the three per cent to which I made reference.

Mr. BENTLEY: The minister mentioned the possibility of a $10,000 profit. That $10,000 profit would be the amount of money that was not allocated, under the terms the minister suggested to us the other evening and again to the hon. member for Yale in reply to his question. That would be unallocated money which remains in the hands of the cooperatives and for which there is no authority from any member to withhold to his account; or would it be in some other way that the profit would arise? There is no place for a profit to arise in this cooperative, even the $10,000 the minister suggests, because we do not make estimates at the end of the year after stock taking and the auditor's report; our managing force and directors must provide an exact statement. There is no residue, neither $10,000 nor one dollar, after the allocation of the dividend is declared. The only amount held is what we have agreed to by resolution of the meeting. Now the minister is going to insist that we have an individual authorization of our board of directors to withhold it. We will not quarrel with that now—that is only another way of getting the authorization; but there cannot be any $10,000 or any other amount, so where will the profit arise?

Mr. ABBOTT: If my hon. friend has paid out only what are contractual obligations—and I emphasize that word "contractual"—there will not be any income. Perhaps I had better quote what the minister said on that point in his budget speech, *Hansard,* page 2921, because it brings the point out fairly clearly:

> The first step in determining the tax liability of a cooperative or any other company will therefore be to compute its taxable income in the ordinary way. In this computation the cooperative or company will continue to be able to claim as an expense payments that are found to be enforceable obligations of the cooperatives and not profit-sharing distributions. Having determined its taxable income the cooperative or company will then be able if the proposed amendment is adopted to deduct distributions in proportion to patronage paid out of income in that year subject to the limitation I have outlined above.

[Mr. Abbott.]

So that if my hon. friend's cooperative operated on the basis of paying out only contractual obligations to its members and patrons during the year and ended up the year with no income, the three per cent rule simply could not apply.

Mr. BENTLEY: I am to understand, then, that the profit of an organization will be only that part that is not exigible by the members in any circumstances, and therefore three per cent of the capital employed will be taken from that, and become taxable—

Mr. ABBOTT: Not exigible under a valid contractual obligation.

Mr. BENTLEY: Not exigible under a rule or contract, or whatever the law prescribes. Then it will be the unallocated reserve which will be liable to income tax?

Mr. ABBOTT: I would have to say, not necessarily.

Mr. BENTLEY: What other place could it come from? That is the point I am trying to get at.

Mr. ABBOTT: I am not clear what my hon. friend means by "unallocated reserve". If he means what is left over after they have met their contractual obligations for the year—yes.

Mr. ROSS (Souris): This becomes more confusing than ever. I had an idea that this was the theory of rent and investment income, but I suppose that is not so. Will the minister explain the situation with respect to the pool elevators? I understand that their elevators and all that system are recognized as capital; are they to be assessed on three per cent of these capital assets, or is it just the amount of money which is involved in their business for the year? What is the situation with regard to all their capital assets, including their elevator systems?

Mr. ABBOTT: I am advised that the patronage dividends declared by the pools are not contractual obligations in the sense in which I have referred to them. They are profit-sharing distributions.

Mr. BENTLEY: Oh, well; that is all wrong. I do not know where the minister got that understanding.

Mr. ABBOTT: I am not an expert on the way the pools operate, but I am told that that is what the Department of Justice has ruled.

Mr. ROSS (Souris): Is it clear that none of these capital assets, such as pool elevators, are to be assessed?

Mr. ABBOTT: If the pool elevators or any other elevator has capital invested, and it earns a profit within the meaning of the income tax act, the first item taken out of that so-called profit will be 3 per cent on its employed capital. It will be considered that that investment will have earned a return before the member is entitled to a rebate on the price of his product. That is the essence of the thing, I think, and it seems to me that that is eminently fair as between cooperatives or any other type of enterprise, as between the consumer cooperative which is on one side of the street and the corner grocery on the other side of the street.

Mr. BENTLEY: But pool elevators have not an investment in anything.

Mr. ABBOTT: My hon. friend appreciates that a pool may have a separate legal entity in the same way that a large number of cooperatives are incorporated; they are a separate legal entity from the individual members. The McDougall commission recognized that unanimously; there is no question about it. I think we must accept the principle. My hon. friend shakes his head. There may be a difference of opinion, but I think the majority opinion is that we must accept the fact that they are a separate legal entity, and proceed on that basis.

Mr. DIEFENBAKER: I find it very difficult to understand this resolution. It seems to have been drafted in a way that cannot be understood either by those who are for the cooperatives or those who are for the Income Tax Payers' Association. Certainly in my experience I have never seen a section drawn so incomprehensibly as is this one. I am sure the acting minister will take no praise for having drafted it; and it will be difficult to ascertain just who did draft it. The minister has had to resort to the explanation of the Minister of Finance on the budget in order to elucidate what apparently he himself is having difficulty in understanding—and I am not saying that in any derogatory sense at all. But would it be possible for the minister to let the committee have a copy of the bill in so far as it will implement this section?—because if the bill is no clearer than this resolution, litigation will be the order of the day.

As I understand it, a cooperative exists for the express purpose of giving service at cost and without profit. But as one reads this section, and I am saying this in the most cooperative spirit, it is meaningless. It may be understood by those who will be administering it, and they may place their interpretation upon it. But surely a committee of parliament, men in all walks of life with all the dissimilar points of view that are being expressed here, have the right to ask the minister to bring down a resolution that we can understand and that will not be subject from time to time to different interpretations. Certainly the minister's point of view will not be the interpretation placed by the courts on any section based upon this resolution.

May I ask the minister a question in regard to a cooperative I referred to when I was speaking on the budget itself—the Davidson Cooperative Association. This has been a true cooperative giving service over the years, to such an extent that during 1945 it did business just slightly under half a million dollars. The directors have been dividing up any surplus by way of patronage dividends, subject to this condition. When a member is entitled to a patronage dividend, until he has earned a credit of $20 he may not draw that dividend. It becomes part of a reserve fund placed to his credit, and may be withdrawn on request at any time he withdraws from membership in the association. In other words, it is held as a trust fund to assist in the purchase of goods and in the assurance of credit at any time the member withdraws, when he is entitled to that $20. Would that now be subject to tax?

Mr. ABBOTT: Listening to what my hon. friend has said, I should think it would be allocated. I should think it would come within the terms of the resolution, though I would have to look at the particular regulation.

I know the hon. member has had to be elsewhere in the last day or two when we were discussing some of these resolutions, but I have pointed out on previous occasions that it is necessary that some of them be worded in fairly general terms; one cannot be as specific as one is in the legislation itself. The resolution covers not only cooperatives but similar payments in other concerns in accordance with the McDougall commission's report. A number of matters which the minister dealt with in his budget speech and which I have been discussing here do not need to be dealt with by specific legislation. They can be dealt with under the provisions of the income war tax act as it stands to-day. It was felt desirable, however, that as part of the whole plan there should be a clear statement, or a statement as clear as it can be made, as to how some of these various matters would be dealt with.

Mr. DIEFENBAKER: So there is really no change in the law except for the three per cent.

Mr. ABBOTT: There will be, yes. My hon. friend will see when the legislation comes in that there will be a change in the law, particularly in view of the statement I made on Friday that cooperatives may deal with members and non-members on a different basis, which is of course different from the original proposal based on the recommendations of the McDougall report. I do not think the resolution is quite as badly drafted as my hon. friend would indicate. It is broad in its terms, admittedly.

Mr. DIEFENBAKER: Was not that always the law, the principle which the minister has just enunciated? What changes are being made?

Mr. ABBOTT: The most fundamental change is that we are making patronage dividends deductible from gross income for the purposes of taxation, which the Department of Justice stated was not the case when it gave its opinion in 1943. That is the big change, which the Minister of Finance referred to as a great victory for cooperatives. That is the big change that is being made in the law, and it is a pretty important one, I can tell you.

Mr. DIEFENBAKER: There could be no "victory" until the courts had so determined, and as a matter of fact, while the members of the Department of Justice did give that opinion, the government apparently did not regard the opinion too highly.

Mr. CRUICKSHANK: May I ask whether patronage dividends paid in shares are subject to the tax?

Mr. ABBOTT: I think they are deductible, yes. They will be income in the hands of the recipient, the same as if they were in cash.

Mr. CRUICKSHANK: And subject to taxation.

Mr. ABBOTT: Yes.

Mr. CRUICKSHANK: In our province we are compelled by law to have a ten per cent reserve. I do not know about the other provinces, but I should like to know whether that ten per cent is subject to taxation.

Mr. ABBOTT: I am advised that if the ten per cent reserve is beyond the amount required for depreciation and bad debts, it will be an unallocated reserve, considered subject to the tax.

Mr. CRUICKSHANK: I understand that in British Columbia if the amount is less than $100,000 a reserve of ten per cent must be set up. There are certain special rules, I presume, under a statute governing some cooperatives. The normal reserve in the province must be ten per cent, but in some cooperatives, owing to the capital structure, ten per cent is not sufficient.

Mr. ABBOTT: I would have to look into that question and give an answer later. I am not clear what the ten per cent is on. Perhaps the hon. gentleman could enlighten me on that.

Mr. CRUICKSHANK: I understand that in the province of Quebec the provision is five per cent. Ours is ten per cent, fixed by statute, and I cannot see why, when a provincial law compels a cooperative to set aside that reserve, it should be subject to taxation.

Mr. ABBOTT: If that amount were in excess of what is allowed under the dominion income tax law for depreciation and bad debts, it would be taxable. Presumably under the provincial law the ten per cent is for one or other or for both those purposes, and I should not think it would be beyond what is allowed in the dominion law. But if perchance it is beyond what is allowed in the dominion income tax law, to the extent of the excess it would be taxed. It would not be taxed up to the amount allowed by the dominion income tax law.

Mr. CRUICKSHANK: Another point that affects us is this. We have certain odd amounts left over as we make our normal payments, and we put these odd amounts into a fund. Would that be subject to taxation? Suppose the amount were $750.

Mr. ABBOTT: It would be subject to the same rule. If the ten per cent amounted to $1,050, if that did not go beyond the permissible limit under the Income War Tax Act, in respect of bad debts and depreciation, it would not be taxable. If the $50 ran them over $25 it would be taxable, I suppose, to the extent of $25. The governing factor would be the permissible reserve for depreciation and bad debts under the Income War Tax Act.

Mr. CRUICKSHANK: They are not permissible; they are mandatory under the provincial law and not subject to taxation.

Mr. ABBOTT: They are not subject to tax except to the extent that they may exceed the permissible reserve under the dominion income tax act.

Mr. CRUICKSHANK: If the provincial law specified that it must be a certain amount, why should it be subject to taxation? I do not care whether it comes under the dominion income tax or not. If the provincial legis-

lation allows them that right, why should we penalize the members of the cooperative who had nothing to do with the legislation here, and who operate under provincial law?

Mr. ABBOTT: I think the answer to that must be that it cannot be within the power of any province to defeat the purpose of the federal income tax law, which must be a law generally applicable to all of Canada. Therefore so far as that law is concerned the various provincial governments should bring their legislation into line, or if they do not, if they impose a condition for depreciation and bad debts along the line we have been discussing, then the excess amount would still have to be considered taxable income for the purposes of the dominion act, but only to the extent of the excess; otherwise, as my hon. friend will see, it would be open to provincial governments pretty well to defeat the purpose of the Income War Tax Act. I do not mean to imply that we are saying to the provinces that they must bring their legislation in line with ours. But I do wish to make it clear that if their reserve requirements were greater than those permitted under the dominion law, the dominion law would apply and the excess would be taxable.

Mr. WRIGHT: Has the minister or his department any estimate of what this tax would return to the government on the basis of the cooperative business done in Canada in 1945?

Mr. ABBOTT: No, we have not any estimate of that.

Mr. WRIGHT: In my opinion it would not be a large sum of money. I believe there is a basic difference between the thinking of the members of this group and the minister on this subject. This tax contravenes the cooperative principle, namely, that a cooperative is a non-profit making organization. The minister has accepted the McDougall report. That report says that cooperatives are profit-making organizations. So far as the cooperatives are concerned the report was unsatisfactory because it contravened that principle. The cooperative movement in Canada has grown out of the needs of the people over the past twenty-five or thirty years. Little groups of people here and there in every province have themselves tried to solve some of their economic difficulties. They used the cooperative method to do it.

I agree that across the dominion there are many cooperatives formed which are not true cooperatives. That was natural. We had no legislation either in the provinces or in the dominion to guide the various groups which formed themselves into these organizations. Gradually some of the provinces developed cooperative acts which define a cooperative within provincial jurisdiction, but we have never had a dominion act which would unify cooperative practices across the country. It is because of the lack of an act to do that that we find ourselves in our present position.

The hon. member for Lake Centre said that this is a controversial resolution, that it is not clear. I do not think that it can be clear under our present set-up; I do not think we can ever have a clear position in this matter until we have defined what is a true co-operative, and when we have done that any cooperative which can come within that definition should be considered a non-profit organization and its capital or any part of its money should not be taxable. These organizations are groups of people mutually joined together to do business with themselves, to use their own money. That money is taxable in the hands of the individual, and by making it taxable in this way we are simply imposing double taxation on that money.

There is a second point which is important so far as the cooperatives are concerned, namely that it is going to make it difficult for them to expand. I believe that is the purpose of the resolution.

Mr. ABBOTT: No, it is not.

Mr. WRIGHT: It will mean that if they build reserves, which are necessary in any business, whether it is individual or otherwise, the reserves will become taxable. Reserves are necessary to expand. You must have capital for expansion. If those reserves become taxable it will make it more difficult for these mutual organizations—I say "mutual" when they come within a specific definition which states what is a cooperative—

Mr. JUTRAS: Does the hon. member mean that a cooperative should be defined as such, or its operation? Would he define a co-operative itself, or the operation of the cooperative?

Mr. WRIGHT: The cooperative as such. Its operations will be included in it. We must have a definition of what is a true cooperative. We shall not have satisfaction under this or any other legislation until we do that. For the life of me I cannot understand how the government is to interpret resolution 16, which allows a cooperative a three-year exemption from taxation. Co-operative will have to be defined.

Mr. ABBOTT: "Incorporated or registered under provincial cooperative legislation". That is the definition.

Mr. WRIGHT: The government is transferring the responsibility of defining a cooperative to the provinces instead of our accepting the responsibility here. That is a poor way for the government to do business. It is going to accept what the provinces may define as a cooperative. One province may define a cooperative in one way and another province in an entirely different way. I do not think that will be satisfactory so far as this legislation is concerned.

I wish to repeat that this section contravenes two cooperative principles, namely, that a cooperative is a non-profit making organization, and that it will prevent, I am positive, the proper expansion of true cooperatives in Canada. Because of that I think the resolution should be withdrawn.

Resolution stands.

Progress reported.

At one o'clock the house took recess.

The house resumed at three o'clock.

BUSINESS OF THE HOUSE

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs): Mr. Speaker, I should like to move, with the unanimous consent of the house, and only with unanimous consent:

That the three resolutions standing in my name as notices in the annex to the *Votes and Proceedings* of this day be now proceeded with, notwithstanding standing order 45.

I move this in order to have complete discussion, as was agreed upon last week, by the various parties in the house.

Mr. BRACKEN: I have no objection to that procedure.

Motion agreed to.

VETERANS AFFAIRS

CONSIDERATION IN COMMITTEE OF VARIOUS RESOLUTIONS—INTRODUCTION OF BILLS

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs) moved that the house go into committee to consider the following resolutions:

SUPERVISORS WAR SERVICE BENEFITS

That it is expedient to present a bill to provide financial and other benefits for certain persons who were attached to and served with the naval, military or air forces of Canada, outside the western hemisphere, during world war II, as supervisors in the auxiliary services.

FIRE FIGHTERS WAR SERVICE BENEFITS ACT

That it is expedient to present a bill to provide financial and other benefits for certain fire fighters who served outside the western hemisphere during World War II, as members of the corps of (civilian) Canadian fire fighters.

VETERANS REHABILITATION ACT (UNIVERSITY GRANT)

That it is expedient to present a measure to amend the Veterans Rehabilitation Act by authorizing the minister to make, with the approval of the governor in council, grants to universities supplementary to those by the act authorized, to assist in meeting the expenses incurred in training veterans.

ALLIED VETERANS BENEFITS ACT

That it is expedient to present a measure to provide rights, privileges and benefits to and in respect of veterans of world war II domiciled in Canada at the time of joining the forces of allied nations, and to the widows and mothers of such veterans as died in service or subsequently but before they had received such rights, privileges and benefits in full.

PENSION ACT AMENDMENT—ENLARGEMENT OF SCOPE AND APPLICATION—REORGANIZATION OF COMMISSION

That it is expedient to present a measure to amend the Pension Act to provide for extended payments of pensions to veterans and their dependents as therein set out; to provide further for reorganization of the commission and for the salaries and duties of the chairman, deputy chairman and other members of the commission and generally to enlarge the scope and application of the act.

SPECIAL OPERATORS WAR SERVICE BENEFITS ACT

That it is expedient to present a measure to make applicable, the allowances and benefits accorded to a veteran, to certain persons described as "special operators" who were enrolled in Canada by United Kingdom authorities for special duty during world war II, under the Veterans Land Act, 1942, the Veterans Insurance Act, the Veterans Rehabilitation Act, part I of the War Veterans' Allowance Act, 1946, the Unemployment Insurance Act, 1940, the Department of Veterans Affairs Act, the Civil Service Act, the Pension Act, the Income War Tax Act, the Reinstatement in Civil Employment Act, and the War Service Grants Act, 1944.

WAR VETERANS ALLOWANCE ACT, 1946

That it is expedient to present a bill to make provision for the payment of allowances to or in respect of veterans of a prescribed age and veterans permanently unemployable or incapable of self maintenance through physical or mental disability and widows and orphan children of veterans. Provisions of the bill apply to veterans of the North West Rebellion, the South African war, world war I and world war II. Provision is made for establishing a war veterans' allowance board to administer the act and for the payment of the salaries of the members and pensions on retirement.

VETERANS BUSINESS AND PROFESSIONAL LOANS ACT

That it is expedient to present a bill to authorize payment out of the consolidated revenue fund of losses, within the limitations therein provided, to banks incurred in respect of loans made to veterans resident and domiciled in Canada who have received or are entitled to receive a gratuity under the War Service Grants Act, 1944, and who have not elected to take benefits under the Veterans Land Act, 1942. Such loans to be confined to the purpose of establishing the veteran in business or professionally. Provision is also made for the payment of the necessary expenses of administration out of moneys appropriated by parliament.

VETERANS REHABILITATION ACT AMENDMENT

That it is expedient to present a bill to amend the Veterans Rehabilitation Act, whereby provision is made, inter alia, that the Minister of Veterans Affairs may,

(a) provide Canadian universities with moneys to enable them to make, as an emergency measure, small loans to veterans attending universities and also to pay expenses of repatriation of certain veterans discharged in the United Kingdom in order to take training outside of Canada and to pay transportation expenses of the wife and child of such veterans from the United Kingdom to Canada or other designated place outside of Canada;

(b) provide training and re-training and pay allowances to a pensioner requiring such training by reason of an increase in his disabilities.

Provision is also made for entitlement of a member or former member of the Canadian forces to the statutory allowances and benefits in respect of all of his full-time service, if he is not accepted as a member of the permanent or regular force, or is not accepted for service for a special prescribed period; also for bringing a veteran suffering personal injury by accident when in training under the Government Employees Compensation Act.

WAR SERVICE GRANTS ACT AMENDMENT

That it is expedient to amend the War Service Grants Act, 1944, to make provision inter alia (a) for the full payment of the statutory supplementary gratuity of a member who has joined the permanent naval or military forces or the regular air force or who has been accepted in the interim force, notwithstanding that he may have been required to accept pay and allowances at lower rates than were issuable to him or on his behalf immediately prior to the date of his joining the permanent or regular force or his acceptance in the interim force; (b) for a reestablishment credit for a member who does not elect to take benefits or training under the Veterans Land Act, 1942, or the Veterans Rehabilitation Act; (c) for a reestablisment credit to the widow or mother of a member who dies after discharge; (d) to permit a member to use his credit for the reduction or discharge of indebtedness on his home where he has already reduced such indebtedness.

CIVILIAN WAR PENSIONS AND ALLOWANCES ACT

That it is expedient to introduce a measure to give statutory authority to a group of Orders in Council passed during the war conferring pension benefits on various classes of persons other than members of the armed forces and further to confer pension benefits on certain additional groups.

VETERANS LAND ACT AMENDMENT

That it is expedient to present a bill to amend the Veterans Land Act ,1942, to provide a change in the status of the director so as to integrate the administration of the Act more closely with other departmental activities administered by the minister and to provide authority for the director to contract with a veteran for the sale to him of land and improvements, building materials, and live stock and farm implements to a total cost to the director of five thousand eight hundred dollars upon the terms and conditions of payment therefor and in respect thereto contained in the said bill and regulations to be made thereunder.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of these resolutions, recommends them to the consideration of the house.

Motion agreed to and the house went into committee, Mr. Macdonald (Brantford City) in the chair.

Mr. BROOKS: Is the minister dealing with only the first three he mentioned?

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs): It was my intention, Mr. Chairman, with the consent of the committee—and only with that consent—to deal with all twelve measures in a short, concise statement. Then, by consent of the house, I would move them on to the second reading stage, at which time my hon. friend or any other hon. member would be free to adjourn the debate, to criticize or to commend as they might feel desirable.

The CHAIRMAN: With the unanimous consent of the committee, it is suggested that all the resolutions be considered, and that one motion be passed covering all of them.

Mr. MACKENZIE: That is correct.

The CHAIRMAN: Is there unanimous consent for that procedure?

Mr. BROOKS: On behalf of the Progressive Conservative party I would say that this matter was discussed by the steering committee, with representatives of all parties, and we agreed to the procedure now suggested by the minister. The agreement was on the understanding that when these bills came before the house on second reading there will be every opportunity for debate.

Mr. MACKENZIE: That is quite correct.

Mr. BROOKS: With that understanding we are in agreement.

Mr. BENTLEY: The same understanding exists in this group.

The CHAIRMAN: Is it the pleasure of the house that I report these resolutions?

Mr. BROOKS: Was it not the minister's intention to make a statement at this time?

Mr. MACKENZIE: Perhaps I might have permission, Mr. Chairman, to give a concise, synoptic and factual statement of what the committee on veterans affairs has recommended, and what the government is prepared to accept, so that hon. members at second reading stage may have the opportunity of making such comments as they may deem advisable.

For the convenience of hon. members, and after consultation with other parties, I have decided to ask the indulgence of the committee in order that I may present in one concise, composite statement the entire programme of veterans' legislation. I have received the kind consent of the house, and having that consent, I purpose discussing the twelve measures with respect to which resolutions have been introduced. Eleven of these stand in my name, and one in the name of the Minister of Finance (Mr. Ilsley). With the kind indulgence of the house three of the resolutions have been moved forward this afternoon. These resolutions relate to the civilian war pensions and allowances bill and bills to amend the War Service Grants Act and the Veterans Land Act.

All twelve bills have been considered by the special select committee on veterans affairs. I wish at this point to pause to say that for thirty years I have been in parliament and have watched committees function. I want to pay a tribute—an entirely non-partisan tribute—to the finest committee of the House of Commons of Canada I have ever seen in action. That, sir, was the veterans affairs committee. We have had our contentions, and probably still have more of them; we have had our controversies; we have had occasional animadversions; but I never saw a more devoted band of loyal gentlemen in my life. Indeed, if I were in charge of decorations and awards—which I am not—I would recommend them all for the Canada medal. They did a grand job—a wonderful job. We disagreed at times, of course. There were times when we did not go as far as some of my hon. friends, like the hon. member for Vancouver South (Mr. Green), the hon. member for Cape Breton South (Mr. Gillis), or the hon. member for Acadia (Mr. Quelch) would like to have gone. But I think the work has been a wonderful work. The committee has written a veterans' charter for Canada, and for that work it will have the eternal gratitude of the veterans of this country. It will have the gratitude of a nation for the work it has done.

Ten of these bills have been recommended by the committee as such. With respect to two of them the committee has made recommendations; but the bills as introduced by the government are not completely in accord with the committee's recommendations.

These bills, and two which have preceded them, together with possibly one or two others standing in the name of other ministers, will be incorporated in the veterans' charter to be compiled. It is my intention to issue a veterans' charter, with the names of the sixty members of the committee on the front page, and to send it to every veterans' organization in the Dominion of Canada.

Five of the bills covered by the twelve resolutions to be discussed in this statement are amending bills. One is, in effect, an amending bill, but the amendments were so numerous that a completely new consolidation and revision is being presented.

Six of the bills are new legislation so far as this house is concerned. Four of the six new bills, however, deal with legislation which has already been in effect for some time by order in council under the War Measures Act. Nine of the twelve bills represent, to a substantial extent, the ratification by parliament of legislation enacted by order in council under the War Measures Act. Three of the bills are entirely new, and in almost all the bills, which are either amending bills or for the purpose of giving parliamentary sanction to orders in council, some new principles have been incorporated.

This body of legislation affects not only the veterans of world war II but the veterans of world war I, the veterans of the South African war and of the northwest rebellion. It affects Canadians who served in the forces of other members of the British commonwealth and in the forces of nations allied with His Majesty. Provision is made with respect to eleven different groups of persons who rendered loyal and hazardous service in world war II, although they were not formally enrolled in His Majesty's forces.

This statement will be exceedingly concise. I shall merely enumerate under the heading of each resolution or bill the principal enactments which are proposed without explanation or argument.

The first bill to which I shall refer is that covered by the resolution which I now move. It introduces a bill to amend the Pension Act. This bill with the one exception to which I shall refer later, is in exactly the terms recommended by the select committee. It consists of thirty-two sections and it affects all the veterans of any and every war in which Canada has participated.

The principal features of the bill are as follows:

1. The insurance principle, about which many of us have fought, including the hon. member for Vancouver South, which is restored.

Mr. GREEN: At last.

Mr. MACKENZIE: 2. The benefits of the Canadian pension scale are extended to all Canadians who served in the forces of the British commonwealth or of allied nations.

3. The pensions payable to dependent parents, in cases where a widow is also pensioned, are doubled.

4. The salaries of the pension commissioners are increased.

5. The duties of the veterans' bureau are expressly defined.

6. The language defining non-pensionable preenlistment conditions has been restricted or narrowed, according to the particular interpretation put upon it.

7. The period for which pension may be paid retroactively has been extended when delay in making the award has been due to conditions over which the applicant had no control.

8. Pensioners entering hospital for treatment of their pensionable disabilities will receive their pensions during such periods of hospitalization.

9. Blinded pensioners, on entering the department's institutions for custodial care, shall continue to receive the helplessness allowance by which pension in such cases is augmented.

10. Widows who have obtained divorce or separation decrees from their pensioned husbands may when pensionable as widows be granted pension rates higher than the alimony awarded by the courts, at the discretion of the commission.

11. Canadians who served in the ranks in the imperial forces during world war I are to receive the full benefits of the Canadian Pension Act as the act may have been amended subsequent to the agreement of 1920, by which the government of the United Kingdom agreed to pay to such veterans the Canadian scale.

12. The principle of equal pensions for women, as for men, is adopted.

13. The datelines of pension eligibility for wives, widows and children of world war I veterans have been advanced from 1930 and 1933, so that all wives married and children born prior to May 1, 1944, are included.

All the foregoing amendments were recommended by the select committee.

I want now to pay a tribute to the hon. member for Nanaimo (Mr. Pearkes). In addition, the government, in deference to opinions expressed by many members of the committee but mainly advocated by the hon. member, has broadened the provision regarding the eligibility of children. The bill provides that children born of marriages contracted prior to May 1, 1944, even though the birth is subsequent to that date, shall be eligible. I think my hon. friend was the one who advanced that before the committee.

Next is the war veterans' allowance bill. This measure, while essentially an amending enactment, takes the form of a completely new, revised and consolidated bill. It is for the most part a submission to parliament of amendments adopted during the war by order in council. The bill will come before the house exactly as recommended by the select committee. It covers the veterans of four wars, and it incorporates into the act the widows' allowance measure approved by parliament in the appropriation act of 1943.

The bill is in three parts. Part I refers to veterans; part II refers to widows of veterans, and part III refers to what has formerly been known as the dual service pension.

The principal features of the bill which are new to this house are as follows:

1. Women veterans are made eligible at the age of 55, the same as widows.

2. It increases the basic allowances from $20 single and $40 married, to $30 and $60 respectively, thereby permitting the allowable income to be calculated on the higher figure. The small pensioner, eligible for the allowance, is thus permitted a materially improved standard of living. A single person may have a total income of $640, and a married person $1,130.

3. Six items are added to the lists of types of income not deductible from allowances.

4. The value of the veteran's home permissible without deduction from allowances is raised from $2,000 to $4,000.

5. Salaries of the commissioners are increased.

6. Several amendments have been made in the interests of children. First, step-children, adopted or foster-children are included within the definition of "child." Second, allowances may be paid with respect to children during their educational period up to the age of twenty-one years instead of nineteen as it is now. Third, allowances with respect to handicapped children may be paid beyond the age of twenty-one.

The bill to amend the Veterans Land Act is exactly as recommended by the select committee. Its principal provisions are:

1. Assistance may be given to tenant farmers, and to farmers holding land under agreement for sale.

2. Former soldier settlers in default of their contracts are permitted to qualify under the Veterans Land Act, if they have served in world war II.

3. In conformity with the long established principles of responsible government, the minister is made responsible for administration of the act.

The next is the bill to amend the Veterans Rehabilitation Act. For reasons well known to the select committee, there are two bills amending this act. The first bill authorizes the government to make grants to universities, not exceeding $150 per student veteran, to enable the universities to provide the additional premises, equipment, staffs and services required to meet the extraordinary increase in enrolment, arising out of educational benefit provided for veterans under this act. The resolution covering this short bill was placed on the order paper, in advance of the other proposed amendments as an assurance to the universities that the government accepted responsibility for this proposal. Once the government had accepted the principle of the bill the universities felt justified in proceeding with their financial arrangements.

The second bill to amend the Veterans Rehabilitation Act contains a number of amendments which had not been fully dealt with by the select committee at the time the first bill was introduced. This second bill has now been recommended by the committee. Its principal provisions are:

1. The government is authorized to advance money to universities, for the purpose of making loans to student veterans, under regulations. It is contemplated that loans shall not exceed $500 per year—or $2,000 in all. Applications will be dealt with by boards of senior faculty members with representation from the Department of Veterans Affairs.

2. Veterans accepted for vocational training but not able to enter upon their training on account of lack of facilities or the necessity of conforming to entrance dates may receive out-of-work benefits while waiting, and the receipt of such benefit shall not count against the time for which benefits are otherwise available.

3. The minister is granted power to make regulations regarding the extension of university training beyond a period equivalent to the length of the veteran's service.

[Mr. Mackenzie.]

4. Recipients of educational and vocational training benefits shall not be eligible for the benefits of the Veterans Land Act, with certain minor exceptions in the case of agricultural training.

5. Disabled pensioners who may acquire retraining as the result of their disabilities may receive such training at any time without sacrifice of their reestablishment credit.

6. The periods of service upon which benefits under this act may be based and the dates at which service shall be deemed to have ended are specifically defined with respect to veterans who enter the interim or permanent forces. The definitions and cut-off dates are identical with those in the War Service Grants Act.

7. Veterans in receipt of vocational training who may be injured as the result of such training shall be eligible for compensation under the Government Employees' Compensation Act.

Now I come to the bill to amend the War Service Grants Act. This bill is exactly as recommended by the select committee, except for a minor amendment to section 4. Its chief provisions are:

1. Supplementary gratuity payable to a veteran who upon joining the permanent force reverts to a lower rank shall be calculated on the basis of the higher rank that he held before reverting.

2. For the purpose of calculating gratuities and credit in the case of veterans who join the interim or permanent forces, the dates at which service counting towards gratuity shall be terminated are defined in the terms of an order in council promulgated early this year. The dates are the same as those in the bill to amend the Veterans Rehabilitation Act.

3. Widows and dependent mothers of veterans who die subsequent to discharge without having exercised all their reestablishment credit rights may receive the balance of the reestablishment credit to which the veteran was entitled.

4. The uses to which reestablishment credit may be put are expanded in relation to the building of a house under the National Housing Act and in relating to the retirement of debt arising out of encumbrances on the veteran's house.

Now I come to a new piece of legislation that was recommended by the committee, the veterans business and professional loans bill. This is an entirely new piece of legislation. Its purpose is through a government guarantee to enable a veteran to borrow from a chartered bank a sum up to $3,000 at five per cent interest for the purpose of acquiring a busi-

ness, an interest in a business, or the tools, implements or equipment of a trade, business or profession. The loans depart from ordinary bank practice in the Bank Act in that: (a) the maximum interest is fixed at five per cent; (b) the taking of security on land is authorized; (c) the period for repayment may be extended to ten years. Loans may not exceed two-thirds of the expenditure upon the purpose for which the loan is granted. The maximum of loans subject to the guarantee is $25,000,000. The guarantee is in the form of a blanket guarantee to each individual bank, at the rate of twenty-five per cent of any loss incurred on the first million dollars lent by such bank, and at the rate of fifteen per cent on loans in excess of one million dollars by any bank.

Next is the supervisors war service benefits bill. This bill has not been specifically recommended by the select committee. It was considered by the committee, which recommended that supervisors be granted exactly the same rights as former members of the forces. The bill provides that they shall be with respect to their overseas service on a par with former members of the forces with the single exception of income tax exemption. The subject of income tax has already been debated in this house on the budget resolutions.

I come next to the fire fighters war service benefits bill. This bill has not been recommended by the select committee. The committee made a recommendation that members of the Corps of (Civilian) Canadian Fire Fighters for Service in the United Kingdom should receive the same rehabilitation benefits as former members of the armed forces. The government did not concur fully in this recommendation. The bill confirms the following benefits already granted by order in council: Gratuity on the same basis as veterans with regard to overseas service; rehabilitation grant; the Veterans Land Act with respect to pensioners. Additional to the benefits conferred by order in council the bill will grant all former members of the corps who served overseas the right to vocational training, and will allow their overseas time to be calculated under the Unemployment Insurance Act the same as for veterans.

Next is the civilian war pensions and allowances bill. This bill substantially represents the recommendation of the select committee but with slight variations, which will be explained as I proceed. Its purpose is to confer the right to pension upon certain groups of persons who rendered valiant service in the war but who were not attested as members of His Majesty's forces. With respect to the following groups, the bill is in the terms recommended by the select committee:

1. Merchant seamen.
2. Commercial fishermen.
3. Auxiliary services personnel.
4. Canadian overseas fire fighters.
5. Royal Canadian Mounted Police.
6. R.C.M.P.—Special constable guards.
7. Air raid precautions workers.
8. Potential recruits sustaining disability while undergoing treatment in the care of the Department of Veterans Affairs for the purpose of removing disabilities which debarred them from enlistment.

The draft bill as recommended by the select committee included also civil government employees incurring death or disability as the result of enemy action or counter-action. Upon consideration the government was not satisfied that this was the appropriate method of providing for the pension rights of these government employees, and this group is not included in the bill. The opportunity for further consideration of the most appropriate method of providing for this group is desired by the government. I can assure the house, however, that this does not result from any desire or intent to diminish in any way the rights which civil government employees acquired under the order in council which provided for their pension entitlement. The government has been assured by its legal advisers that no rights already conferred will be lost as the result of deferring legislative action with regard to them. All the civilian groups to which I have already referred were covered by order in council, and the parts of the bill recommended by the select committee referring to these groups follow the terms of the orders in council with exceedingly minor variations.

The select committee also recommended that five other groups be accorded pension rights in this bill, but did not pass upon the actual terms of the legislation now to be introduced with respect to those groups.

One group recommended by the committee has not been accepted by the government, and is not included in the bill. This group consists of former members of the Pacific Coast Militia Rangers. No claims have arisen from members of this organization and it would seem unnecessary, therefore, to include them in the bill at this time.

The four groups included in the bill upon the committee's recommendation, but with

respect to whom the committee did not have the opportunity of passing upon the precise terms of the legislation, are as follows:

1. Members of the voluntary aid detachment serving with the Royal Canadian Army Medical Corps in Canada.

2. Overseas welfare workers, which include those who, under the auspices of the Canadian Red Cross Society or the Saint John Ambulance Brigade, left Canada to serve overseas as welfare workers, nursing aides, ambulance or transport drivers, members of the overseas headquarters staff, or in any other capacity.

3. Orthopaedic nurses selected by the Canadian Red Cross Society for service overseas with the Scottish ministry of health.

4. Canadian civilian air crew of the Royal Air Force Transport Command.

The government's proposal in the bill to follow the resolution is that members of the voluntary aid detachment shall be pensionable on the same terms as members of the air raid precautions organization. The scale of pensions for these two groups corresponds closely with the rates payable under workmen's compensation.

Overseas welfare workers and orthopaedic nurses are granted their eligibility for pension on approximately the same terms as merchant seamen.

The civilian air crew personnel of the Royal Air Force Transport Command are granted their entitlement on a basis of need upon very much the same principle as was applicable under the former section 11 (3) of the Pension Act.

Now I come to the special operators war service benefits bill. This bill is exactly as recommended by the select committee. I think the house knows who these special operators were—about seventy men who were taken by External Affairs and who flew over and descended by parachute into enemy areas during the war and did magnificent service. The purpose of the bill is to confer all rehabilitation, pension and other veteran legislation upon these men. There are three others who served in other theatres of war, and they also will be looked after in regard to these benefits.

Mr. BROOKS: I understood there might be some others besides these three.

Mr. TUCKER: It will not be limited to them.

Mr. MACKENZIE: The last one is the allied veterans benefits bill. This bill is exactly as recommended by the select committee. It affects Canadians who served in the allied forces in the event of their returning to Canada, and their dependents domiciled and resident in Canada. The bill is designed to ratify an order in council passed early this year on recommendation of the select committee on veterans affairs which sat in the autumn of 1945, and goes a little further. By the order in council and by the bill, Canadians who served in the allied forces upon returning to Canada, are eligible under: the Veterans Rehabilitation Act; the Veterans Land Act; the War Service Grants Act; and the Department of Veterans Affairs Act.

Owing to the fact that members of the forces of certain of our allies were, in effect, discharged in 1940 when Germany overran the low countries and France, the language of the bill has been sufficiently broadened in comparison with the order in council to ensure that Canadians in the forces of those countries shall not be excluded by reason of the fact that they were unable to return to Canada within two years of their discharge.

In conformity with the War Service Grants Act, widows and dependent mothers are made eligible to receive gratuities and reestablishment credit under the same conditions as the similar dependents of former members of the Canadian forces. The bill provides that any similar benefits received from the country in whose forces beneficiaries under the bill may have served shall be deducted from the Canadian benefits.

I wish to conclude by saying that we shall have our differences in debate in regard to some of these matters, but no committee of the House of Commons ever did a finer job than the veterans affairs committee of 1946. May I say in regard to my colleague and parliamentary assistant that no committee ever had a finer or abler or keener chairman than the hon. member for Rosthern, and even if he be conscripted or bludgeoned into other duties in a far-away province in the near future the veterans of Canada will never forget and the country will always gratefully remember, the work that he has done on their behalf.

Resolutions reported, read the second time and concurred in. Mr. Mackenzie thereupon moved for leave to introduce twelve bills founded on the resolutions, as follows:

Bill No. 325, respecting benefits to certain supervisors in the auxiliary services.

Bill No. 326, respecting benefits to fire fighters who served in the United Kingdom.

Bill No. 327, to amend the Veterans Rehabilitation Act (university grant).

Bill No. 328, respecting veterans of forces allied with Canada.

Bill No. 329, to amend the Pension Act.

Bill No. 330, respecting benefits to certain persons who were recruited in Canada by United Kingdom authorities for special duties in war areas.

Bill No. 331, respecting allowances for war veterans and dependents.

Bill No. 332, respecting loans to veterans to assist in their establishment in business or professionally.

Bill No. 333, to amend the Veterans Rehabilitation Act.

Bill No. 334, to amend the War Service Grants Act, 1944.

Bill No. 335, respecting civilian war pensions and allowances.

Bill No. 356, to amend the Veterans Land Act, 1942.

Motion agreed to and bills read the first time.

Mr. SPEAKER: When shall said bills be read the second time?

Mr. BROOKS: Why cannot we get second reading now?

Mr. MACKENZIE: I should be very happy indeed to accede to the suggestion of my hon. friend, but I thought that possibly it might be found desirable by some hon. gentleman, when he sees the actual bills, to move the adjournment.

Mr. BROOKS: The understanding we had in the committee was, I think, that there would be first reading with second reading immediately after, and then adjourn the discussion.

Mr. MACKENZIE: That is quite acceptable, sir.

Mr. SPEAKER: Mr. Mackenzie moves that the bills be now read a second time.

Mr. BROOKS: May I object to that? The bills, on second reading, should be read individually, so that if there is any motion to adjourn the debate after that it could be made individually by different members.

Mr. MACKENZIE: That is the idea I had, exactly.

Mr. TUCKER: The difficulty is, I suppose, that these bills should be distributed to hon. members before second reading. We have made very good progress and we appreciate it; I think we could have second reading to-morrow.

Mr. MACKENZIE: Yes; I think that will be better.

Motion stands.

WAYS AND MEANS

The house in committee of ways and means, Mr. Macdonald (Brantford City) in the chair.

INCOME WAR TAX ACT

The CHAIRMAN: The committee is on resolution 12.

Mr. MOORE: I did not intend to speak at any length on taxation of cooperatives, either on the budget or on the present resolution. The reason is that three members of our group before becoming members of the House of Commons were for a great many years members of cooperatives. On the budget resolution, and also on the budget itself, they dealt very ably with this matter, and laid the views of this group before the House of Commons. I do not want to take up too much time in discussing the matter this afternoon, but because I have had a great deal of correspondence in the matter from my own riding, I thought I ought to put myself on record.

As I understand it, the cooperatives throughout this country object to the government's taxation proposals on five main grounds. Just before the house rose last session, I believe it was December 18, the royal commission which investigated this question made its report. That report was studied by practically every cooperative throughout this country, and between the first of January and the first of June of this year they communicated with every member of this house urging them to oppose the taxation of cooperatives. Personally I had about thirty-eight resolutions from different cooperatives in Manitoba urging me to oppose this taxation. When the government brought down its budget proposals, particularly the present resolution, a large number of our members and, I suppose, members of other parties as well, received telegrams and registered letters from various cooperatives urging that we ask the government to reconsider some of their suggestions with respect to taxation and, if possible, to discontinue entirely the proposal for taxation of cooperatives.

I was particularly interested in the remarks made by the hon. member for Cariboo with respect to this situation. I think he judged the matter rightly when he stated the purpose of the royal commission which investigated this problem some time ago was not to find out if cooperatives should be taxed, but how it would be possible to apply taxation to the cooperatives. I think that is a true statement of the situation.

In the communications I have had on the matter, cooperatives in my district and elsewhere in Manitoba are worried because the government ignores the basic difference between a cooperative business and a private business. They contend that we fail to recognize the difference between business done on a cooperative basis and business done on an individual basis.

Their second objection is this. Cooperatives are treated, according to government legislation, as private businesses. The government's resolution forces cooperatives to treat members and non-members on the same basis. Non-members are entitled under resolution 12 to patronage dividends.

Third, this legislation prevents cooperatives from providing service at cost by forcing them to pay taxes on not less than three per cent of the employed capital. I think that should come in for a little discussion at this time. I presume that means three per cent of the capital employed in the business. There is one question which I should like to ask the minister. Does that mean that the remainder of the revenue of the cooperative is to be distributed as patronage dividends? Suppose a cooperative decides by a vote of its membership to use, we will say, sixty per cent of its income for the expansion of its business; will that sixty per cent be subject to tax under the Income War Tax Act or under the corporation tax act, in the amount, I believe, of about thirty per cent?

Mr. ABBOTT: It would if it were retained in the company for expansion of business. If it were declared as a patronage dividend, and if the member lent it back to the cooperative, no question of taxation would be involved. The essence of it is that a cooperative no more than anyone else can build up capital out of tax-exempt income, in the proper sense of income.

Mr. MOORE: I am glad to have that statement from the minister, because a great many cooperatives have been extremely worried as to what the government's policy would be in that regard. The fourth matter is this—interference with the right of the individual member to leave savings with the cooperative for the provision of further service by forcing payment of cash within six months. That has been extended to one year?

Mr. ABBOTT: Yes. That point is cleared up. There is no interference. The individual member is perfectly free to leave the whole or a portion of his patronage dividend with the cooperative if he wishes to do so.

Mr. MOORE: Would it not be taxed at three per cent? The fifth question is with respect to retroactive taxation, and I take it that refers largely to the wheat pool. I know it is the wheat pools in my riding that are particularly concerned about retroactive taxation. I submit that for two reasons there should not be retroactive taxation. First, it would be a reversal of the policy declared by the Minister of Finance when section 4 p was enacted, and secondly, cooperators generally relied upon section 4 p as granting them exemption under the Income War Tax Act. In the opinion of the royal commission they were justified in that reliance. Secondly, it would be a reversal of the attitude of the administrative officials for years. When the department changed its attitude, cooperatives were placed in a position of uncertainty which has continued to this time. Until the uncertainty is removed, cooperatives are at a loss to know how to conduct their operations in compliance with section 4 p.

Mr. LESAGE: From what paper has the hon. gentleman been reading?

Mr. MOORE: I have been referring to an article appearing in the *Manitoba Cooperator* with reference to the first two paragraphs of section 4p of the Income War Tax Act. The wheat pools in Manitoba are particularly concerned about this matter: The set-up of the wheat pools in that province is somewhat different from that in Saskatchewan and Alberta, as I understand it. The pools in Manitoba are operated on a community basis, so to speak, in that the pool belongs to the individual community in which it is located. Since 1942 and 1943 there has been a fear that they would be subject to taxation. The result is that the wheat pools, in Manitoba, particularly, are not certain what their position is with respect to taxation, and they have urged that the whole matter be reconsidered by the government.

There is something else to which the attention of the government should be directed. It is not only the fishermen and farmers that are opposed to the present taxation of cooperatives. I have an interesting letter from the Manitoba trades and labour council dated June 11, 1946. It is a long letter and I am not going to quote it, but I think I ought to give the substance of its opinions. All other members from Manitoba have received this same letter. The trades and labour council goes on record as urging the government to desist from applying taxation to the cooperatives throughout the country, and they also go on record as opposing the taxation of cooperative organizations.

There is only one other item that should be dealt with at this time. Up to the present a great many members have spoken on this subject and, I presume each individual member has been speaking for himself. I think the leaders of all groups should go on record as speaking for their respective parties so far as taxation of cooperatives is concerned. This is too important a matter to be discussed on an individual basis, and I do not think that because one member gets up and speaks in the first person singular he should be regarded as speaking for his party. Every party should go on record and tell the country where it stands with respect to the taxation of cooperatives.

Mr. HLYNKA: Having listened to the discussion of the resolution during three or four sittings of the committee I am still debating in my own mind whether I should reserve my comments for the second reading and committee stages of the bills, or present them on this resolution. In any event I feel I should say a word or two at this point.

I rise chiefly to register my opposition to the remaining two or three objectionable features of this resolution respecting the proposed taxation of cooperatives. Although the Acting Minister of Finance has proposed three minor amendments which remove some of the objectionable provisions of the resolution as it was originally proposed, it appears to me that the most objectionable feature remains. I have in mind the adoption of the principle of imposing taxation on a true and genuine cooperative. I am not so much concerned about the amount of the tax or the rates of taxation; it is the principle that matters.

The minister said that if capital produces a reasonable return it should be taxed. But suppose the capital of a cooperative is made up entirely of the benefits which accrue from business which has been done strictly among the members of the cooperative, and who were in the first place taxed when they received their earnings and of course paid the tax. I should be inclined to think that if the members of a cooperative desire to purchase their requirements through their own cooperative organization in order that their dollars may be stretched as far as possible they should not be taxed on the money which they have saved in buying goods cooperatively, after they have already paid tax on their original earnings.

In the discussion that took place the other day the acting minister did not fully explain the revolving fund, even though hon. members came back to it more than once. I should like to have an explanation. In fact, the minister has made two statements which seem to me to be contradictory in answer to questions by the member for Acadia and the leader of the Social Credit group, the member for Peace River. At page 3945 of *Hansard* the following appears:

> Mr. Quelch: Are we to understand that if a certain amount is paid out of the revolving fund and a certain amount of new capital is put in, that new capital will be taxable?
> Mr. Abbott: Not unless it increases the fund.
> Mr. Quelch: Then it will not be possible to expand the business without paying the tax?
> Mr. Abbott: That is right.

At page 3950 of *Hansard* the hon. member for Peace River said:

> Is there not just one limitation to what the minister has just said in connection with the $25 which is kept by the cooperative on behalf of a member—
> Mr. Abbott: And on his instructions.
> Mr. Low: Yes. If that results in a net increase in the revolving fund, does not that become taxable?
> Mr. Abbott: No. I realize that it is a little confusing, but the answer is definitely, no.

I wonder which of these answers is the correct one.

Mr. ABBOTT: Both statements are perfectly correct—no contradiction.

Mr. HLYNKA: I still need some explanation.

Mr. ABBOTT: If my hon. friend will read the rest of my statement on page 3950 he will see that I made a further explanation of the revolving fund.

Mr. HLYNKA: At any rate it appears to me that even if the cooperatives do business strictly with their own members they will still have to pay taxes, provided that they have an income which is taxable. I personally object to the introduction of the principle of the taxation of cooperatives. I concur in the proposition that in fairness to other forms of business, earnings derived from business done with non-members should be taxed.

Speaking on this resolution on July 26 the hon. member for Cariboo in effect said that he would not worry very much if private enterprise were to go out of business. On the other hand there are those in the income tax association who would like to see the cooperatives go out of business. Personally I cannot subscribe to either of these views. I am in favour of both private business and cooperative business. The cooperative type of business and private business are necessary in the economy of a democratic country. Perhaps that is the line which the group to which I belong can draw in contrast to the stand taken on this matter by our friends to our immediate right. When cooperatives do business with their own members who have paid personal

income tax on their earnings they should not be taxed. When people get together and decide on buying goods and services in a cooperative way they should not be taxed a second time. They have paid their tax on their original earnings, and if they choose to stretch their dollars as far as possible, why should they not do it? Why should they then be taxed a second time on these earnings, or on the saving which acrues and which makes up the lump sum which may be called capital, and which, as the minister says, will be subject to taxation under the proposed legislation?

I received twenty telegrams from cooperatives representing several hundred members, and also fourteen letters, protesting against the taxation of cooperatives. I also received 271 cards asking me to support the taxation of cooperatives. It is therefore obvious that there are two different views on this matter. Personally I should like to be fair to these two groups, and I should like to see justice done to both private enterprise and to cooperative business. A man who goes into private business and renders to the people a good service should have the opportunity of expanding and continuing his business and further rendering this service. On the other hand, if a group of individuals choose to get together and buy cooperatively in order to remedy their lack of purchasing power, they should have the privilege of buying cooperatively in bulk, perhaps saving a little bit, and at the same time stretching every dollar as far as possible. Once we introduce legislation adopting the principle of taxation on cooperatives I am afraid that if the government decides to raise taxes in the future all it will have to do will be to present the legislation to the house and we shall have higher taxation on cooperatives. On behalf of the people I represent I object to the taxation of genuine cooperatives. I know it is difficult to define what is a cooperative, but the government should present legislation defining cooperatives and at the same time should introduce a cooperative act within the four corners of which all the cooperatives could fall.

That is all I wish to say at this stage. If I have any further remarks to make I believe they can be best made when the bills are presented.

Mr. ABBOTT: During the morning debate there was a great deal of discussion on the three per cent provision of the resolution, and perhaps some confusion. It seemed to me that much of the misunderstanding may be due to a misunderstanding of accounting principles and practice rather than to provisions of the law. It may be that all my answers were not strictly accurate, although I believe they were substantially correct.

I think the situation can best be described in this way. If no legislation were to be enacted respecting the tax status of patronage dividends, cooperatives would be taxable on their income as determined under the Income War Tax Act. In some cases, as I have pointed out, they would have no taxable income. In other cases, cooperatives and ordinary companies would find themselves subject to taxes and would be unable under the ordinary law to deduct patronage dividends as an expense. For example, according to the law officers of the crown the wheat pools would be unable to deduct patronage dividends as an expense of doing business. The proposed legislation, therefore, enables a cooperative or any other company to pay patronage dividends out of income that would otherwise be taxable under the Income War Tax Act, and to deduct such patronage dividends before paying tax. The only limitation is that they shall not be able to distribute their income in the form of tax-free patronage dividends to such a point as to reduce their taxable income below three per cent on capital employed, as set out in the resolution.

In order to illustrate the reasons for the three per cent limitation, I am going to compare the relative positions of two cooperatives, alike in all other respects except that one cooperative has financed itself with the issuance of share capital on which it pays a limited dividend, and the other has financed itself on a revolving fund basis, no interest being paid on patronage dividends declared but not paid.

Taking cooperative A, with a capital of $50,000, represented by shares on which a limited dividend of 4 per cent is paid; it has a surplus in a given year of $5,000. Ordinary dividends to shareholder members amount to $2,000, and patronage dividends $3,000, making up a total of $5,000.

We then take cooperative B, with a similar capital of $50,000, which is represented by a revolving fund on which no interest is paid. There is the same surplus of $5,000, with no dividends or interest paid. Patronage dividends amount to $5,000.

If there were no three per cent rule, cooperative A—the first one I mentioned—which financed with share capital would pay tax on $2,000, whereas cooperative B, which earned exactly the same amount but which financed on a revolving fund, would pay no tax. Yet the only difference between the two organizations is in their method of financing. The

members are the same, and the surplus is the same. The three per cent rule, as the committee will appreciate, corrects that discrimination to some extent, although not entirely.

Mr. IRVINE: I wish to correct one point of view expressed by the hon. member of Vegreville. I have no disagreement with his expressing his own view, but he did say I had expressed the view that there was no room for private business. His justification for saying that arose from an interchange between the acting minister and myself during the course of my remarks on the subject. The point under discussion at that time was that if a private corporation requires legislation of this kind for the taxation of cooperatives in order that that corporation may exist, then we can do without it.

Let us look at the recommendation of the commission in this respect. It says that the object is to make certain that the solution finally adopted will not ruin one or the other. Apparently the only way to prevent the ruination of private business in certain communities is by putting on a tax such as that to which my hon. friend has just objected. I say if that is the only way to save them, then they ought to be ruined. That was my view.

I do not say there is no room for private business. If a community wishes to pay a private business a profit for doing their business for them, that is a matter for them. But if another community wants to do its own business and to save its profit for itself, so that it will not be paid out to any other person, then I say it should not be compelled to keep alive in that community an organization which can exist only by taking profit or toll from that community, and to do it at the expense of the cooperative. That is very different from saying that I want to wipe out all private business. There may be room at any time under any system for a certain amount of private business. But I am saying that that private business must not be permitted to exist by imposing a restriction upon a cooperative. That was the argument of the commission, and the argument I used in my interchange with the minister.

Mr. HLYNKA: I do not wish to be unfair to the hon. member, or to place upon his words an interpretation different from what he had in mind. For that reason I should like to place on record the exact words of the hon. member for Cariboo as they are recorded at page 3938 of *Hansard:*

So what the minister regards as fairness is to try to prevent the cooperatives from entirely swallowing up private business.

Mr. Abbott: Why not?

Mr. Irvine: Why keep the bally thing alive if it is not functioning in the best interests of the common people? If it cannot stand up and carry out its own philosophy in competing with cooperatives, it ought to go out of business.

Mr. Abbott: Compete on fair terms, yes.

I am afraid that in this regard I am inclined to support the minister's view, even though I have expressed the view, and still do, that cooperatives should not be taxed. But when it comes to private business I believe it would be well for hon. members to state definitely whether they do or do not support private enterprise, because we must recognize that private enterprise also plays an important part in the economy of the nation.

In recent months and years we have heard a great deal against private enterprise. I accept the hon. member's statement as to what he had in mind, but I suggest that all groups should definitely express themselves as to whether they are supporting private enterprise and its expansion, while at the same time wishing to see cooperatives expand.

Mr. IRVINE: I do not believe it would be possible for a private corporation successfully to compete with a true cooperative in the same community, unless this parliament or government gave some privilege to the private corporation.

Mr. GIBSON (Comox-Alberni): They are competing in the matter of management. That is all they need.

Mr. IRVINE: They will not be able to do even that, because we have developed and are still developing some able management in cooperatives. While I am on my feet I would add that we have to make up our minds whether we are going to bolster up certain things which have outlived their usefulness at the expense of new developments, in order to try to balance them. That is the principle stated by the commission, namely that of making certain that the solution finally adopted would not ruin one or the other. Well, if the day were afraid of the night and the night were afraid of the day, and this government were to pass legislation to keep them balanced, we should have perpetual and eternal twilight, with neither day nor night.

Mr. ABBOTT: That is expecting too much, even of this government.

Mr. IRVINE: I am not charging the government with trying deliberately to destroy cooperatives. I know the Minister of Finance is one of the most sincere, diligent and competent members of the government. I would not suggest he had any such thing in mind. And I would even add that the acting minister is not far from the same calibre of man.

Mr. ABBOTT: Damning with faint praise.

Mr. IRVINE: But I do say the government is ill-advised in following the recommendations of those who are in direct competition with cooperatives and who find that the cooperative method is making it difficult for them to carry on. As I have said, the reason it is difficult is just this: A community through its cooperative would have no profits, but the savings made from the cooperative effort remain as savings instead of going to a private corporation to help to make up its profits. That is exactly the situation, and the legislation which the government is now discussing is of such a type as to leave no line of demarcation between the private corporation and the cooperative. In other words, it is a hypodermic injection of capitalistic virus beneath the skin of the cooperative.

Mr. McCUAIG: I should like to place before the committee my view with regard to the taxation of cooperatives. It has been contended by the grain exchange and by others who wish to have cooperatives taxed that there is no difference between the line elevators and the cooperatives, since they both handle grain under the Canada Grain Act. But as a cooperator for over thirty years I know there is a fundamental difference. The line elevator companies are in business for one purpose only. They are not set up to do missionary work among the farmers, but rather to make money as joint stock companies—to make all the tariff will bear, all the time. When new railroads were built through the west, and even before the steel reached the different points, there was a frantic rush by line elevator companies to acquire elevator sites; and what a wonderfully remunerative business it was! The line elevators had five shovels which they stuck into every load of grain, namely, weight, grade, dockage, price spreads and service and handling charges.

In connection with weights, it was a common practice to show 200 pounds less on the grain ticket than was recorded on the beam of the scale. As to grades, a man had to take any grade that was offered, the standard excuse being that there was room only for No. 3. The spreads were between three and five cents between Nos. 1 and 2 northern—and I am talking now about 1915, 1916 and 1920, before the cooperative elevators started, and 1923, before the pools started. As I say, there was a difference of from three to five cents between No. 1 and No. 2 northern, from five to seven cents between grades 2 and 3, and from six to eight cents between grades 3 and 4. The wheat board spreads to-day are just about half of that. In many instances there was a loss of 15 to 20 cents a bushel between wagon load and car load lots. This was discrimination against the small farmer, the man with the wagon load, in favour of the man who could sell in car load lots. The pool put street wheat or wagon loads on the same basis as car load lots.

Mr. HARKNESS: What about the United Grain Growers; did they not have a considerable effect on that?

Mr. McCUAIG: Possibly at one time, but in later years they stayed pretty close to their friends the grain exchange and refused to go into the pool. The hon. gentleman knows that.

In the matter of dockage it was a common thing to lose two bushels in excess dockage on a 75 bushel load by the policy adopted by the trade. Because of that method literally hundreds of thousands of bushels were sold by the trade for which the farmer never got credit on his statement.

The pools have reduced service and handling charges by about one-half. All this saving goes into the price the farmer receives for his grain and constitutes a part of his income. It was such abuses as these that forced the farmers to form cooperatives, to come together to do things for themselves. I personally went through all the experiences I have related. I found that when I took exception to those abuses, changing elevators did not help any. The farther down the line I went, the tougher it got. I was a rebel. As I say, the difference between the line elevators and the pool elevators is that the line elevators are in business to make money, while the farmers in a cooperative elevator know that they are going to get service and save money for themselves. Farmers grouped themselves together in a cooperative in order to save money.

In my view the pool elevator is nothing more or less than an extension of the granary on the farm. I joined in building a pool elevator in order to save myself from exploitation—just plain stealing. The money saved by the cooperative method of handling grain is directly a part of the farmer's income. Just as I went into the modern mechanized farming to cut costs so I went into the modern cooperative methods in order to help myself and eliminate excess service and handling charges.

My returns from the cooperative are not based on my share capital, as in line elevator joint stock companies. In the cooperative, one share means one vote. If I did not deliver any grain to the cooperative, my one share would not increase in value, and I would not receive any share in the earnings of the cooperative. Anything over and above the actual cost of

handling the grain is either returned to me in the form of excess handling charges, or is used as a reserve to carry on the business or to take care of liabilities, in proportion to my contribution of grain. In either case it would be credited to me as a member. There are 127,000 members who are direct owners of the cooperative wheat producers. As individuals they are liable to income tax on earnings saved, but the cooperative as a whole should not be subject to taxation.

The Saskatchewan Cooperative Wheat Producers now receive over fifty per cent of all the grain delivered to country elevators in Saskatchewan. This is the real cause of the fight. The heyday of the private grain trade is over, because the farmers have learned the hard way. They know what the so-called "farmer's friends" have done in the past and they know what they would do in the future if they get the chance. The grain trade's last bet is to call upon the government to cripple the cooperatives by taxation. Surely, Mr. Chairman, an institution like the wheat pools which have to borrow from $45,000,000 to $50,000,000 must have some reserves. They must put up at least fifteen per cent of their own money in order to get credit. In a year like 1937, with little wheat to handle, the pools kept their elevators open to distribute relief, and provided a great service to rural municipalities. Their deficit was nearly $2,000,000. It was a service that was helpful to the government, because it provided people with the means to live, and kept them off the relief rolls. The line elevators were mostly shut down at that time. We found out then who the government's friends were, who the farmers' friends were and who the country's friends were.

In my opinion a cooperative democracy is the only solution to avert the fast approaching crisis within our capitalist economy. If the government is going to take sides with the people who want to see the cooperatives taxed and crippled and put out of business, then I say the war is on. The British people had the good sense to see the handwriting on the wall. I hope that this government will sit up and take notice.

The Progressive Conservative members to my right have said that the Liberal government is going socialist. I think it can be honestly said that any steps which the Liberal government has taken towards socialism have been brought about by the pressure of sheer cold necessity. I am very glad that the government has had the good judgment to have this whole question of taxation of cooperatives looked into, and I hope that the minister will continue to exercise his good judgment in the interests of equity, justice and liberty.

I have had a number of telegrams and letters which I shall not read, because many of them have been put on the record a number of times, but I would strongly urge the government to place a truly dominion cooperative act on the statute books, and then we shall know where we are going and what we are doing.

Mr. ARGUE: I have two or three questions to ask the minister, but before doing so I want to go on record as whole-heartedly supporting the stand taken by other members of this group in opposing completely any taxation of cooperatives apart from the business which they might do with non-members. It has been said by others in this group that there is something more involved in the taxation of cooperatives than the loss of funds to the government, because within the cooperative movement there is an opportunity for people of all political and religious faiths and of various racial origins to meet on a common plane and work out their problems together.

I have received a number of communications from cooperatives in my constituency, and one which I was exceedingly pleased to get was from Mr. Eugene Bachelu, of LaFleche, president of the French-Canadian cooperative associations of Saskatchewan. Mr. Bachelu is also secretary of the LaFleche Cooperative Association, which is composed of both French and English-speaking Canadians.

There are one or two questions I would ask the minister which have not, I think, been asked at least in this way before. Does the minister believe that any government measure should reflect the desires of the majority of the electors?

Mr. ABBOTT: I will answer that in the affirmative.

Mr. ARGUE: The minister says yes. Then I would ask the minister if he believes that that the majority of Canadians support the present measure for the taxation of cooperatives.

Mr. ABBOTT: I would think so.

Mr. ARGUE: I disagree with the minister. I do not think it is possible for him to show definitely that the majority of Canadians support the taxation of cooperatives.

Mr. ABBOTT: No more than it is possible for my hon. friend to show that they do not.

Mr. ARGUE: I will wager that I can make a better job of showing that the majority of

the people who have spoken on this question do not support the government's position, than the minister can do to the contrary.

Mr. ABBOTT: The majority of persons who have spoken on it come from the group of which my hon. friend is a member.

Mr. ARGUE: But there has been discussion of it elsewhere than in this house. I was in touch with various labour organizations and was informed that they have gone on record as supporting the cooperative movement and have asked their members to study and support it. I have a resolution here passed by the Ontario federation of labour, in convention February 10-11, 1945, representing 150,000 workers. The resolution unanimously opposed the taxation of cooperatives and credit unions. That is the voice of organized labour in Ontario. There is a total of 600,000 organized workers in Canada.

I have also a booklet from the Cooperative Union of Canada in which it is stated that at least three-quarters of a million members in their cooperative union or in cooperative associations are affiliated with the Cooperative Union of Canada. There you have the voice of 750,000 people supporting the cooperative movement, as well as the opinion of a large proportion of the working classes who are organized in labour unions. I say to the minister and to the government that if any government measure falls in line with the opinions of organized labour and of the organized farmers, he can take a chance on it that it is in the interest of Canadians generally. I would also say this, that when the government brings in a measure that is opposed by organized labour and the organized farmers through their cooperatives, it is a measure which in my opinion does not represent the opinion of the majority of Canadians.

I would ask the minister another question. Does he believe that any taxation by a government should be based on the principle or belief that the moneys derived from the tax can be better spent for the welfare of the population as a whole in the hands of the government than if left in the hands of the taxpayer?

Mr. ABBOTT: That is a long and involved question, but I will answer it in this way. I believe that any system of taxation should be fair as between Canadians, and if a Canadian doing one type of business should pay his share of a tax, a Canadian doing the same type of business in another way should pay his share of the tax. I agree with the commission's statement—I have not the statement before me, but it is to the effect that fiscal measures are a poor way of assisting a particular type or method of carrying on business.

Mr. ARGUE: I do not think any taxation proposals can fit equitably private enterprise and cooperatives, because they are diametrically opposed; they have different objectives. If it is to be taxation based upon the same formula it will not meet the interests of the majority of Canadians. I do not know, and the minister says in answer to another question he does not know, how much money is likely to come to the coffers of the government through this taxation proposal. It may be a million dollars, it may be two or three million dollars; I do not know. But I suggest to the government, while recognizing the need for government institutions to have money, that that one, or two or three million dollars would benefit Canadians generally much more if it were left in the hands of the patrons of cooperatives rather than taken into the government treasury. A cooperative oil refinery was set up in Saskatchewan a little more than ten years ago. Within a few years the price of gasoline, not only to members of that cooperative but to non-members, to all the people within that area, went down from six to eight cents a gallon. The amount of money invested in that refinery at that time was less than a million dollars, and I suggest that the consumers in that area with that million dollars were able to do something which was of greater benefit to the people of that area than if that money or any part of it had gone to the federal treasury. So I believe that, as cooperatives are able to expand throughout Canada, at least during the time when they are combating and overcoming monopolistic interests it is to the benefit of the people that the cooperatives should have all the money possible left with them so that they can complete the job they have undertaken.

We had a long debate in parliament on the 12½ per cent increase in farm machinery. The members of our group thought at that time, and still think, that that increase was not justified. But if we had had a cooperative movement for the production and distribution of agricultural machinery we would not have needed to concern ourselves with the question whether the competitors of the cooperative farm machinery companies were able to increase their prices or not, because the people who saw fit to support and patronize their own cooperative would receive their farm machinery at cost.

We debated, too, this session the amendments to the Combines Investigation Act. Those amendments, it is hoped, will allow the government to deal more successfully with

the problem of monopoly and enable it better to break up existing combines. I believe it is a much wiser procedure not to tax any part of the savings of cooperatives but rather to encourage and if necessary sponsor them, because cooperatives are the best assurance in the world that combines will be broken and that they shall not be formed in future to the detriment of Canadians.

A good deal of consideration was given by this government to the problem we are likely to be faced with in another two, three or four years in the way of unemployment, depression and deflation. I was sorry to hear that the government, at least for the time being, has abandoned its social security and its public investment programmes.

Mr. ABBOTT: My hon. friend is covering the waterfront here, with cartels and unemployment programmes. I hope he will stick as closely as possible to the terms of the resolution.

Mr. ARGUE: I thank the minister for his interjection. I was just going on to say that cooperatives are the instrument that prevents deflation, and when we are considering the taxation of cooperatives we must consider them in relation to the whole Canadian economy and determine how their growth will react upon the economy generally. The government, according to their own submission, believe that at some time public investment may be necessary. An ordinary corporation at various times has surpluses, which it may decide to distribute as dividends. Often the people who receive those dividends are not in the low income brackets but possess high incomes and do not feel the need of spending that money. Other profits of corporations may be retained as reserves, undistributed reserves, and reserves not used for capital expansion or for the increasing of inventories. That does not apply to cooperatives. If a cooperative retains within the cooperative association part of the savings it has made, it uses it for expansion, and because it spends, employment is provided. If the cooperative does not retain the money, it then pays it out as patronage dividends, and that money in the hands of low income earners is spent and goes into circulation and provides employment. When the government is considering taxation of cooperatives it should not consider it merely from the point of view of what advantage cooperatives may or may not have now as compared with private enterprise, but rather it should consider the whole cooperative movement in Canada, how it affects Canadians at this time and how its growth and expansion may be used to better economic conditions in this country. I suggest to the government that if it wants to do in respect of cooperatives that which is in the best interests of Canadians generally, now and in the future, it will totally abandon any proposals it now has for the taxation of cooperatives.

Mr. COLDWELL: Early this afternoon the minister took as an illustration two cooperative associations, each with a capital of $50,000 and each paying a patronage dividend. In the first case the cooperative paid four per cent on the capital of $50,000, and in the second case the $50,000 in the revolving fund was interest free; and it seemed to me that the minister's argument was that under this legislation they were to be placed on all fours.

Mr. ABBOTT: To some extent.

Mr. COLDWELL: To some extent, yes. As I sat listening to that, my mind roamed over the debates we have had in this house for a long time; I remembered how on occasion I have sat here, as my colleagues have done, and we have had thrown at us the accusation that we believe in compulsion. Of course that is quite untrue; but if ever there was a case of the compulsion of a group of people, here we have one. We have a group of people who organize a cooperative society, public-spirited citizens who say that, for the benefit of themselves and of the institution they are going to build, any funds they put into the capital of the cooperative association shall be contributed freely and without interest for the entire group. We now have legislation which says that before a patronage dividend can be paid by the people who comprise that group they must first of all compute three per cent interest on the capital employed. In other words, we are compelling a group of people to do something which they themselves do not wish to do because they believe it is against the best interests of the organization they are establishing.

As I interjected on the night the budget was introduced, I believe that this provision in the budget in regard to cooperatives is fundamental. We have had a great deal of discussion of patronage dividends; we have had a great deal of discussion of other phases of the government's proposals; and may I say that I am thoroughly in accord with my colleagues who have placed the point of view of this party before the house in this long debate. But if there is one feature of the proposals which, in my opinion, is bad from the point of view of cooperatives, it is this three per cent feature. It strikes at the very basis of the cooperative movement.

I do not think this has perhaps occurred to the minister himself; it may not have occurred to his advisers; nevertheless what the government is actually doing is placing these non-profit organizations on the same basis as profit-making corporations, and as the years go by I can see the arguments of my hon. friends and those across the country who argue that there is no difference between a cooperative and a corporation reinforced by this provision, reinforced because the government is injecting into the cooperative movement something which is really foreign to that movement.

If I were asking specifically for a single provision to be removed from the proposals which the government has made, this is the one that I would choose first, because I think it strikes at the very root and basis of true cooperative movements. I am, therefore, again urging the minister to consider the removal of this particular provision in the budget resolutions. I know that the view I am expressing here this afternoon is the view which is widely held by the cooperative movement. I do not think hon. members have altogether come to a realization of what the cooperative movement really is. If I wanted to place before the committee completely the difference between a private profit-making corporation and a cooperative society, I do not think I could do better than quote the letter which was quoted by the hon. member for Inverness-Richmond and the hon. member for Cumberland the other evening, written by the Reverend Doctor Coady of St. Francis Xavier university. That letter placed before the house clearly the fundamental difference between the two. Here is the way in which he actually put it:

> Private profit business and cooperatives are specifically different kinds of business. It is logical to suspect, therefore, that no tax legislation that applies to the former would be applicable to the latter. Violence will have to be done to fundamental principles if this is tried.

That is the point I am trying to make, that you cannot inject into the cooperative movement a provision of this sort, which is foreign to the cooperative movement, without dealing a serious blow at the movement. I do not believe the government desires to deliver a serious blow against it. But I believe that the government has failed to understand the difference between what Doctor Coady speaks of as private business and what he speaks of as the cooperative movement. You cannot inject into one something that is foreign to it and expect the business to prosper.

I have kept out of the debate pretty well because I felt that the ground had been well covered; but I am urging the minister, since I heard him speak earlier this afternoon, to reconsider the position. This is not much of a revenue producer. I do not think it will materially affect the revenue of the government; but it is a material consideration from the point of view of a cooperative society, and it injects into the cooperative something which is entirely foreign to it. In the days to come, when perhaps this parliament has gone and our successors are in our places, just as to-day we are the successors of those who in 1930 introduced amendments to the act, which we are now dispensing with, just in the same manner, I say, some sixteen years later parliament may come back and say there is no difference between a cooperative and a corporation. They both pay interest on the capital employed.

Mr. ABBOTT: They do not have to pay it. They pay the tax if they do not pay it.

Mr. COLDWELL: They must compute taxable interest before they pay patronage dividends, or before they can expand their business.

Mr. ABBOTT: As usual, my hon. friend has stated his point with clarity and conciseness. All the points he has made as to a cooperative differing from another type of business were made at full length before the McDougall commission, and it found unanimously that a cooperative, even a true cooperative, can and does, under certain circumstances, make income which is taxable income. It does, and hon. gentleman opposite realizes that a true cooperative which does business with non-members makes income which is and should be subject to taxation.

Mr. COLDWELL: You are not asking us to agree with all that the McDougall commission says?

Mr. ABBOTT: No, but my hon. friend is asking the government to give consideration to the special character of cooperative enterprise, and all the points he has been making were made fully before the McDougall commission. As regards this three per cent question, we are not forcing cooperatives. This legislation does not force a cooperative to pay interest to anyone; but it does say that a cooperative enterprise which employs capital earns a return on that capital which is in the nature of taxable income, and the McDougall commission acknowledged that a cooperative enterprise could and did earn income which should be subject to taxation. That is the whole point. I agree with my hon. friend; I do not think the tax revenue from

this provision will be large because I think it will affect most cooperatives little, if at all. But I say that it maintains a principle which, in my judgment, it is most important to maintain, namely, that when a person in this country, whether it is a cooperative association, a corporation or an individual taxpayer, earns something which is taxable income, then it should be taken into account and a tax paid on it. That is the whole principle here.

Mr. COLDWELL: The difference between the minister and myself is that he is regarding the cooperative as a corporation;—

Mr. ABBOTT: Or an association or an individual.

Mr. COLDWELL: I am not.

Mr. ABBOTT: The individual would be in the same position.

Mr. COLDWELL: I am not; I am regarding a cooperative as a group of individuals who are doing business with themselves individually.

Mr. HERRIDGE: I rise to support the position taken by the cooperative union of Canada and the various cooperatives that have wired and written me, and the arguments put forward in this debate to which I have listened with a great deal of interest. I refer particularly to the arguments adduced by hon. members to my right. I am not going to repeat these arguments; I support them.

I just wish to make a few observations in connection with this matter and perhaps to bring out one or two points which have been overlooked to date. The government appointed a royal commission to investigate the taxation of cooperatives. That is to the credit of the government. The appointment of the commission has had quite an effect in Canada. I am sure that many hon. members noticed that, when the commission held its sittings new public interest in cooperatives was aroused. I noticed that particularly in British Columbia. The sittings were often attended by quite a large number of people and in addition to that, the press carried extensive reports of the proceedings. That has had a tremendous effect on Canadian opinion and the Canadian people's understanding of the cooperative movement. That is one of the reasons why to-day the government, in its defence of its stand in this matter of the taxation of cooperatives, has to give further consideration to the pressure being put on by the cooperative movement, and to public opinion. We find the fishermen of the maritimes, the French-Canadian farmers, the Ontario farmers, the prairie farmers, the fishermen of the Pacific coast, the fruit-growers of British Columbia and the dairy cooperatives throughout all the provinces have united in their stand against the government's present tax proposals. I submit that in this issue we have had a demonstration of national unity around a principle which goes beyond race, creed or occupation.

As I said before, the government has reacted to the pressure of the cooperative movement. It has bowed to public opinion and has made certain amendments to the tax proposals. Personally I wish the government would go farther, as the previous speaker said, and delete this three per cent proposal. But I understand the government's position. At the last election they received a mandate from the people to operate the free enterprise system. At the same time they plastered the country with slogans about building a new social order. Therefore they are somewhat between the devil and the deep sea in this matter. It reminds me of what a friend said to me on one occasion. He said: "I always look on the Conservative party as a porcupine. It is exclusive, and its bristles are rather inclined to rise if you trespass on its preserves. I look upon the Liberal party as a rabbit." I asked why. He said: "It is always timid when it is facing a new set of conditions." That is what I think this government is at the present time. It does not realize the conditions which it is facing. I might say further that I asked the same party what he thought of the C.C.F.; what animal would he describe them by? He said: "Oh, a beaver, always building."

Mr. ABBOTT: He must have been a member of the C.C.F.

Mr. HERRIDGE: Aside from that, does the government realize that the cooperative movement has revitalized the fishing industry on the Pacific coast, has done an immense amount of good for the farmers of Quebec, has been the cause of building up a dairying industry in this country, has saved the wheat situation on the prairies, has made it possible for the fishermen on the Pacific coast to earn a decent living, has salvaged the fruit growing industry in British Columbia? In doing that, the cooperative movements have actually saved the taxpayers of this country far more money than would be lost if this taxation proposal were removed. I suggest to the Acting Minister of Finance to give this question consideration from the point of view of the value of the cooperatives to the Canadian economy as a whole, on the basis of principle, and the value of the cooperatives in saving the government money.

Mr. KNIGHT: I made my contribution to this debate this morning; but there is one point that I wish to make now, namely, that the Acting Minister of Finance constantly comes back to the fact that the McDougall report was unanimous. The Minister of Finance took the position that this is what the cooperative people and the people of Canada want and therefore the government is giving it to them. I agree that the report was unanimous, but that unanimity was bought at the expense of certain definite reservations. I know that Mr. Arnason, who was a member of that commission, certainly does not believe that cooperatives make a profit. While the McDougall report so states categorically, I want it on the record that that report was just a compromise. The cooperatives' side of the argument was also compromised before the decision was made unanimous. I think that is a clear statement of fact.

Mr. ABBOTT: Mr. Arnason made no reservations on the point to which my hon. friend is now referring.

Mr. HANSELL: May I also make a little contribution to this debate. My contribution may not be large; nevertheless I consider that it may be valuable; at least I think it is going to be. I rise because I feel in duty bound to say something on the basis that I, too, have received a good deal of correspondence, form letters, cards, briefs, telegrams and private interviews in respect of the whole matter of the taxation of cooperatives. If I were to review the position in which I find myself I would have to say, first, that the royal commission made their report almost a year ago. I believe it was on September 25, 1945, if my memory serves me correctly. Almost immediately there began to flow into my office a number of requests. I found that most of these were printed form cards. I suppose all hon. members received their fair share of these cards. Generally speaking, the cards requested that I should take a stand that private enterprise and cooperatives be taxed on the same basis. I thought those cards should have an answer, and I was not alone in sending out a personal letter to each of those who had sent in these printed cards. I might say, in passing, that I received about 350 of them—more than some members, and not as many as others. I felt there might be such a thing as those who had signed the cards not being completely informed in respect of all that might be involved in the subject.

However, I wrote each of them a personal letter, pointing out one or two recommendations made in the report of the royal commission on cooperatives, and asking for any comments they cared to make in the matter. I believe I am not doing any harm by disclosing the fact that in answer to those 350 letters I received only eight replies. The eight I received showed considerable intelligence, and a number of them were several pages in length. These letters indicated to me that the few who replied had an extensive knowledge of their subject. It is needless to say, however, that only eight replies to 350 letters was disappointing. This all happened after the report of the royal commission had been submitted, but before the budget was brought down.

After the budget was presented, the picture changed to some extent. Then my office began to be flooded with a different type of request. Telegrams and letters began to come in, and further briefs were submitted, all asking me to take a somewhat different stand. It was suggested that, generally speaking, I should remain pretty well within the confines of the recommendations made by the royal commission.

Might I revert to a discussion of those few letters I received in answer to the form card? They were sent to me by small merchants, small businessmen who were operating what would be described as private enterprises. I fancy that many small businessmen would have said many of the things which were said in those eight replies. It was pointed out to me in those replies that the writers were small businessmen such as clothiers, grocers, operators of general stores, and garage operators. They complained that they were being taxed on their meagre profits.

It is all very well to say that private enterprise builds up huge profits, but it must be remembered that that does not apply to all people who are in business under the private enterprise system. Nearly all my constituency is composed of either rural municipalities or small towns, and I found that many of the small businessmen in those areas find it difficult to keep their heads above water. Indeed, had it not been for the war, and a general expansion of credit with more money in circulation, many of them would have gone broke long ago.

Some of these people take this attitude: Why should my small profits be taxed when other individuals who are more wealthy than I am but who are members of a cooperative movement can take advantage of certain advantages which apply to cooperatives but do not apply to me? That is another side of the picture. I do not want it to be interpreted that I am against cooperatives. I

cannot possibly be against them, because I cannot bring my mind to the point of thinking that people should not be permitted to get together to cooperate with each other in carrying on business for themselves. The principle of it seems right, to me. For that reason I favour cooperatives, and I want to do all I can to foster the spirit which actuates their formation.

At the same time, there is the other picture in respect of small private businesses struggling in outlying districts. I put in a word for them. Generally speaking, I must support the position taken by the royal commissioners, for I find that most of the briefs sent to me favour that report. There may be some details wherein there are differences of opinion, but these are on matters of administration.

In trying to think my way through the maze of complications surrounding this matter of the taxation of cooperatives, compared with the taxation of private business, I cannot help asking myself why we are really fighting about this matter. I wonder if we have really got down to asking ourselves that question, and trying to answer it. Is there any need to fight about it? I suppose, if we want to attempt to run the country under a restricted system, then perhaps we shall have to fight.

But why do we fight? What is wrong? There must be something wrong or we would not have to fight. Are we short of anything? I know we are not living in normal times to-day; but legislation of this type is not imposed upon the people for a specific year or because of the exigencies of the times. Legislation of this type is put upon the books and will remain there forever or until it is lifted again. It is put on the books because the present administration is operating under a certain financial arrangement. They refuse to move away from the rules and regulations imposed upon society by that system. In normal times we are not short of anything; the only thing we seem to be short of is money. That is why we are fighting over the shortage. We have an industrial relations committee sitting at the present time. What are they fighting over?

The CHAIRMAN: May I ask the hon. member to confine his remarks a little more closely to the clause under discussion?

An hon. MEMBER: Perfect skidding.

Mr. HANSELL: I do not understand what my hon. friend is saying, but I understand what you have said, Mr. Chairman, and I shall try to confine my remarks to the resolution. I want to know why we are fighting over this question of the taxation of cooperatives versus private enterprise. In my opinion, I do not see that there is any reason to tax either. That is my position. In my opinion, the only reason the government would have to tax these people is that it is short of money. To some that may appear to be a good reason, but I cannot understand why we should be short of money when money is a creature of the law.

I want to pursue my illustration, Mr. Chairman, but I am afraid you will call me to order again if I do, and perhaps I should not impose upon your generosity, your fairness and your kindness. Therefore I shall not pursue my illustration any longer. It always occurs to me that we are working under a system where we believe there is only one bone for two dogs. I could never figure out why there is only one bone. Who said there was only one bone? Who put the one bone there? Why did they not put two there? I will not pursue my illustration, Mr. Chairman, because I know it will only aggravate you.

I should like to ask the minister one question and perhaps follow it with another. I want to ask him why he taxes the profits of industry or cooperatives. Why does he do it anyway? I want a satisfactory answer to that. I am not saying that under the present system we can do away with all taxation, but it seems to me that we are going too far. The hon. member for Cariboo passed out a few bouquets to the Minister of Finance. He said he was a most capable individual and had done a marvellous job. All my Liberal friends over there began to pound their desks. Then he went on to say that the Acting Minister of Finance was coming right along in his tracks, and the Liberals patted their desks again. Well, I did not pat my desk. I am not going to applaud any man who attempts to bleed the people. Why should I?

Mr. ABBOTT: That is a strong statement.

Mr. HANSELL: That is a strong statement. If the government takes anything from my pocket it is taking something that belongs to me. A union man once spoke to me in terms of "take-home pay", and I said, "What do you mean by 'take-home pay'? Don't you take it all home?" It had not dawned upon him that it was his pay but that he could not take it all home.

An hon. MEMBER: They took it home for him.

Mr. HANSELL: Somebody was confiscating it. I contend that when the government taxes me it is confiscating something that belongs to me. Am I going to applaud a Minister of Finance who confiscates? I am not going to do so. I like the minister because

he is a nice fellow. Whenever I go to him with a problem, he hears it and tries to solve it for me. I do not like to be too strong in my statement, but the present system is something like a fellow who goes in to rob a bank and gets away with it because he is respectable. We applaud him and say, "Now, you know you are a fine fellow, you did that so nicely that everybody thinks you are a respectable gentleman." We applaud him.

Mr. BENTLEY: We permit him to go back and do it again.

Mr. HANSELL: The hon. member for Swift Current says that we give him a mandate to go ahead and do it again. I want to ask the minister why he taxes profits. I am not saying there is no place for excess profits taxation. I want to know why the minister taxes. I want to know why he cannot go to our own bank, the Bank of Canada, and say, "I want you to issue me a cheque for so much money and put that down on your books as a debt against the people of Canada." It is our bank and it would be our debt. We would owe that to ourselves and we would pay it to ourselves when we were good and ready to do so, not before. I want to ask the minister why he taxes. I want to ask him why he could not do that with the Bank of Canada.

Mr. ABBOTT: The answer is quite simple: because he does not believe in Social Credit.

Mr. HANSELL: I do not know whether the minister considers that a good answer or not, but it will be on the record so that all the people of Canada may know that he has evaded my question.

Mr. BENTLEY: I am going to be brief on one condition. I am going to ask the minister a question and his answer will decide whether I go any farther.

Mr. LAPOINTE: Is that a promise or a threat?

Mr. BENTLEY: It is both; you can take it any way you like according to your nature. After all the debate he has heard and the information he has received, is the acting minister now irrevocably determined to maintain this three per cent clause in the bill?

Mr. ABBOTT: The answer is yes.

Mr. BENTLEY: I am going to tell the committee why I think it is there. A little while ago the minister gave us an example which I expect was well worked out by some of his advisers who have advised him that this three per cent is necessary. I am going to attempt to trace that to what I think is its source. Hon. members will note that the statement says that a cooperative may not pay out its surplus as patronage dividends beyond the point which would reduce the earnings below the amount which would be three per cent of the capital employed. Suppose the surplus does not quite amount to the three per cent. Then there is no dividend to pay out, according to the writing and the reasoning I see there. There is a reason for that. It is directly connected with the wheat pools of western Canada. I have here their brief. I shall not take time to read it, but it definitely states that the Northwest Line Elevator Association made representations to the government asking that the pools be taxed. When I was a boy going to school I was always told, like anybody else might be: Do not interfere with the other fellow's business; stick up for yourself; get all you can in the way of justice—some may say more—but do not run squealing on the other fellow. But the Northwest Line Elevator company—and a letter written by President Lamont of the company to the government accompanies the brief—did run squealing to the government asking it to tax the co-ops. They have been doing that since 1939 and 1940. They started doing this then, and continued to do so during the next few years up to 1942 and 1943.

When the wheat pools were finally told that the justice department at Ottawa felt that they did not come under section 4(p) of the act and might be taxable, the president of the Saskatchewan wheat pool made this statement at a meeting in Saskatoon. He said that if it is the intention or ever becomes the intention of the government of Canada to tax the wheat pools on the money that belongs to their members by virtue of their having saved that money in handling charges and owning their own outfit, then the Saskatchewan wheat pool —and it is the biggest one and the toughest one for the grain trade to handle—will proceed to plan its business in such a way that the member will get his dividend at the time that his wheat is delivered at the elevator and there will be no surplus at the end of the year. So the advisers—and one of them is advising the government to-day and is keen on this and is a good friend of the private grain trade and not very friendly to the pool—have been advising this thing in order to prevent the possibility of the wheat pools of western Canada from adopting that policy.

Mr. ABBOTT: This does not prevent that in any way.

Mr. BENTLEY: It does, the way it is written. It says it must be three per cent on the capital employed, and the capital

employed by the Saskatchewan wheat pool is $18,800,000, plus nearly $5,000,000 in a special reserve.

Mr. ABBOTT: It does not matter if they have $180,000,000. If they do not earn taxable income, there would not be any tax paid on three per cent of the capital employed.

Mr. BENTLEY: Thank you. I hope the minister puts it that way in the legislation. It does not say so in the resolution, which reads:

. . . except that portion of such payments as would if deducted leave the taxpayer with an income less than an amount determined by deducting from 3 per cent of the capital employed in the business . . .

If the minister reads that differently from the way I do I wish he would write the legislation so that it will mean the same to me as it does to him.

Mr. ABBOTT: I have already said that I think it would be helpful if members of the committee would wait until they see the legislation. There is also a question of legal interpretation involved. I do not underestimate at all my hon. friend's high qualities. He is as good a speaker as most lawyers I know, but I do not think he has had training in the legal interpretation of statutes.

Mr. BENTLEY: That is quite correct. But I have had a lot of free legal advice since I came to this house.

Mr. ABBOTT: It may be worth just about what you are paying for it.

Mr. BENTLEY: I shall know when the fellows that gave it to me send in a bill. Seriously, however, if the minister will write into his legislation the words that will mean to me what he says he means I will withdraw my objections, but I should like the legislation to mean what he says it means.

Mr. BRYCE: I want to take two minutes, Mr. Chairman, since the minister has already said that the C.C.F. is doing all the talking and I have not done my share. I do not want to repeat what has already been said. But I would draw the minister's attention to the fact that the McDougall commission in their report said that in their opinion the cooperatives were a profit-making business, and it seems to me that this legislation is making that opinion an established fact. No true cooperative will stand for that, and I want to make that clear. I have listened to the leader of the opposition. I know that he knows about the cooperatives back west. He has told us that his group is supporting the cooperatives, and my hon. friends to my left have said that they are for the cooperatives. Members on the other side of the house have written in the public press that they are also supporting the cooperative movement.

Mr. ABBOTT: I have said the same thing myself.

Mr. BRYCE: And then you bring in legislation that is against the cooperative movement.

Mr. ABBOTT: No, no.

Mr. BRYCE: When the minister was answering the hon. member for Melfort this morning he said that he would use the legislation of the provincial governments in order to determine what a cooperative was.

Mr. ABBOTT: I did not quite say that.

Mr. BRYCE: You pretty nearly did.

Mr. ABBOTT: I pointed out that under resolution 16 that was to be the test.

Mr. BRYCE: If you take the legislation that is in effect in the provinces, you would have nine cooperative acts. What is needed is a dominion cooperative act, and we shall never get anywhere until we have one. Until that is done, we shall continue to have the unfortunate position of what the McDougall commission said, what the opinion of the Minister of Justice was, and opinion expressed by many different people, but nothing definite.

I am going to appeal to the minister to withdraw these clauses in connection with cooperative taxation until he can bring in a dominion cooperative act so that we may have something definite to go on. This three per cent on capital being held for taxation purposes is perhaps in itself not serious; but it is driving the cooperatives, which are non-profit-making organizations into the profit-making class, and then you can come along next year or the year after and make the tax fifteen or twenty per cent and tax the cooperatives out of existence.

I do not want to take any more time. I have had my two minutes. I feel, within myself—I am not referring to the acting minister or the Minister of Finance—that this legislation is being introduced on the advice of big business to curb the activities and the expansion of the cooperative movement, which has done so much for the rank and file of this country.

Mr. FERGUSON: There has been a lot of discussion, and if most of the members who have spoken on cooperatives would spend their time in advising the government how to cut taxation they would not have to worry about the tax on cooperatives. Under the

monetary system that we are using in Canada, we must all make up our minds to the fact that taxes must be paid if the government is to continue to spend large sums of money. I do not agree with these large expenditures, but if they continue to be made the bills must be paid. If an individual makes money, makes a profit, it must be taxed. If private corporations make money they must be taxed on their profits. If a group of men make money, a profit, it must be taxed. Why waste much more time talking about this matter?

Mr. BRYCE: Would the hon. gentleman permit a question?

Mr. FERGUSON: You have been on your feet ten times on this subject. This is my first and last speech on it.

Mr. BRYCE: Tell us where you stand.

Mr. FERGUSON: If you will listen you will know where I stand. Listen more and say less. As regards the story told about that porcupine, I heard it once before. But the way I heard it was that the little porcupine represented the Conservative group, very sharp, very solid, and coming to the point very quickly. The same description of the rabbit would apply to the Liberals. But then my friend who was showing me around the zoo came to another animal who, he said, "represents the members of the house who talk too long and say nothing." I asked him what that animal was, and he said, "You must have a bad cold".

Mr. BRACKEN: When this matter was up, I think on Friday last, I asked two questions of the minister. I do not know whether he has been able to get answers to them or not. If he has I wish he would give the committee the benefit of them, and if he has not perhaps he would say that he is unable to get them. Whatever changes the government may have proposed in connection with its first proposal as outlined by the Minister of Finance in his budget speech, it still intends that at least two taxes shall now be imposed on cooperatives. One is the tax on three per cent of the employed capital, and the other is whatever tax is imposed with respect to earnings by cooperatives in the last two years. My first question to the minister was, what is your estimate of the revenue you would derive from the taxing of the three large wheat pools in western Canada, on the basis of this three per cent on employed capital?

Mr. ABBOTT: May I correct my hon. friend? It is a tax on three per cent of employed capital, not a three per cent tax on employed capital.

[Mr. Ferguson.]

Mr. BRACKEN: My words may not have been correctly placed, but there is no doubt as to what the government intends. It means there is so much employed capital, that three per cent is figured on it, that a thirty per cent is taken on the three per cent of the employed capital. What revenue, approximately, would this bring to the government from the wheat pools—the three great cooperatives in western Canada? And what revenue would the proposal of the Minister of Finance in his budget speech bring to the government of Canada on the basis of his plan as outlined in that speech to tax the pools for the years 1944 and 1945? I should like to have those two figures.

Mr. ABBOTT: I am advised that that information is not yet ready, but it will be given.

Mr. BRACKEN: Since the minister has not the answer now, perhaps he would tell me on the basis of one or two hypothetical figures whether my approach to the question is correct. Assuming that these three western wheat pools have employed capital to the extent of $30 million; three per cent of $30 million would be $900,000; the present tax on $900,000 at thirty per cent would be $270,000. On the assumption that $30 million is the employed capital of these pools, this plan would give to the government of Canada $270,000 a year.

Now the minister has not the answer to what the tax would be on these same organizations for the years 1944 and 1945, on the other basis proposed by the Minister of Finance in his budget speech. In view of the fact that he has not that answer, I wonder if he would give me an opinion on this statement, that that tax might amount in two years to a sum between six and twelve million dollars. Would the minister give us some idea as to whether that is approximately correct?

Mr. ABBOTT: I cannot give an answer to that second part. I can give an answer to the hypothetical case my hon. friend has raised as to the three per cent of employed capital, if he wishes.

Mr. BRACKEN: I think the minister would say that that was approximately correct.

Mr. ABBOTT: Yes, but with some important qualifications. The tax might be $270,000, as my hon. friend has suggested, if taxes to that amount were not paid in some other way, such as the setting aside of taxable reserve or tax paid on non-member business; it might come under either head. Provided that the pool organization paid $270,000 in tax either on non-member business or by

setting aside taxable reserves, on the figures my hon. friend has mentioned there would not be an additional tax of that amount because of the three per cent provision.

Mr. BRACKEN: What I was getting at is this: the government now, after all these years of studying this question and trying to get a fair system of taxation as between cooperative enterprises and other enterprises, has arrived at a policy for the future. By that policy the government proposes to impose a tax on three per cent of the capital employed, and that would be an imposition on these cooperative organizations of about $270,000 a year.

Mr. ABBOTT: Might be.

Mr. BRACKEN: Might be; probably it would be somewhere near that figure. Now the government is saying with respect to the past, when it did not require the payment of whatever the law demanded, when for many years it did not even assess the pools—it is saying with respect to the past, upon which a test case was before the courts, the proceedings of which were stayed when the royal commission on the taxation of cooperatives was appointed, "We will settle with the pools on that disputed matter if they pay the tax on the original basis for the past two years." My information is that on that basis the tax would be in the millions of dollars, probably between six and twelve million dollars. The point I am making is this, if, after all this work this government has arrived at what it considers wise policy for the future, it will have a difficult time in establishing its own position with respect to the imposition of much heavier taxes for years that are now gone by.

I should like to ask one other question of the minister. Can he say or can he not whether there is any modification of the government's position as outlined by the minister in his budget speech with respect to this tax on these organizations in 1944 and 1945?

Mr. ABBOTT: I made a statement on that question the other day, and if my hon. friend will look at *Hansard* of Friday last I think he will see how I expressed it. I can turn it up and quote it to him if he wishes.

Mr. BRACKEN: Perhaps the minister could tell me without turning it up.

Mr. ABBOTT: I will read it. I made a considered statement, not a read statement either. It was considered but not read. It will be found at page 3924 of *Hansard*:

There is a question which has been raised by a number of hon. members in the course of the budget debate relating to what in my judgment has been inaccurately referred to as retroactive taxation. I refer, of course, to the assessments made against the western wheat pools for income tax during the years 1942 to 1945 inclusive. The committee will recall that in his budget speech the minister made an offer to the pools of settlement of these claims. Following the delivery of the budget speech the minister met the representatives of the pools and discussed the question with them. The members will recall that later the minister said that he had had this discussion, and that if it were felt by the pools that the proposed offer of settlement was not fair he was prepared to consider some further adjustment. Following the minister's departure I met the representatives of the pools on Monday. They submitted to me a counter-proposal for settlement of these claims. That counter-proposal is now under consideration by the government, and I simply want to say I am confident that a settlement will be arrived at which will be satisfactory to all concerned, but which I must emphasize, must be fair to all those, including the general public, who are affected. Other than that I do not wish to say anything more at the moment.

Mr. BRACKEN: Does the minister take the position now, which he took on that occasion, that he does not care to say more about the counter-proposal?

Mr. ABBOTT: I have nothing more to add.

Mr. BRACKEN: The minister does not care to let the committee know what the counter-proposal is?

Mr. ABBOTT: No.

Mr. DIEFENBAKER: That is an unusual attitude to be adopted by the minister.

An hon. MEMBER: It is quite usual.

Mr. DIEFENBAKER: It is becoming usual with him, but in a matter of such importance I do not see why the committee should not be permitted to know what plans the government has, or at least the nature of the proposal. May I ask the minister this? In regard to settlements covering the period from 1942 to 1945, if the government arrives at a basis of settlement with one of these cooperatives, will the same basis of settlement, the same percentage, be used for all others?

Mr. ABBOTT: Yes. The basis will be uniform. It should be and will be the same for all.

Mr. DIEFENBAKER: I am glad to hear that, because otherwise there would be available to the minister or the government a discriminatory power that should not be permitted to exist.

Mr. ABBOTT: May I hasten to add that as soon as a settlement is arrived at it will be announced and the exact basis will, of course, be disclosed.

Mr. DIEFENBAKER: If there is to be equality and the same percentage settlement

for all, then I can see no reason why the minister should not reveal what that percentage is or the basis of settlement that is being considered. If the minister does not wish to give information regarding the offer, what is the basis upon which he as minister is prepared to go in order to secure a settlement? Surely we are entitled to know that.

Mr. ABBOTT: My hon. friend is too good a lawyer not to know that you do not announce the basis of settlement in the middle of discussions. Moreover, you do not announce, before you conclude your settlement, how far you are prepared to go.

Mr. DIEFENBAKER: This comes back to just what I am beginning to suspect this particular section is. It is a section designed to lead those who are in private business to believe that cooperatives are to be taxed and to lead the cooperatives to believe that they are not to be taxed.

An hon. MEMBER: It is highly successful.

Mr. DIEFENBAKER: Highly successful, because the usual method of approach by the government is being adopted, namely, silence and refusal to answer questions dealing with the matter.

Mr. ABBOTT: This section has nothing to do with the past.

Mr. DIEFENBAKER: I know, but it is the only section that deals with the matter of taxation of cooperatives. The rest was merely an ex parte statement on the part of the minister with reference to the attitude he would take in respect of income tax allegedly owing in the past. Possibly the minister, having taken that attitude—and it is not an unusual one of refusal to give information, will answer this question. We meet with that attitude every day, I may say, and we have no power to force an answer. In taking the stand he is now taking, the minister is merely following the best traditional principles of secrecy which the government has followed.

Mr. MACKENZIE: That is fundamental in government.

Mr. DIEFENBAKER: My hon. friend says it is fundamental in government that when the opposition ask for information in the matter of finance, or anything of the sort, no answer shall be given. That, of course, is a new doctrine that would not have been enunciated five or four, or even three years ago. However, that is the general attitude and I will not pursue the matter farther. The question I wish to ask is this: What is the meaning of capital employed in the business? Is there to be a definition?

[Mr. Diefenbaker.]

Mr. ABBOTT: Yes. There will be a definition in the statute, and that definition will probably be the one which is now used in the Excess Profits Tax Act, which has been carefully thought out and is a very fair definition. Perhaps there will be some modifications; but, broadly speaking, that will be the definition.

Mr. DIEFENBAKER: So that we who are not acquainted with it may be able to find it, what is the definition?

Mr. ABBOTT: I will read it, but it is a very long one.

Mr. DIEFENBAKER: I would expect it to be.

Mr. ABBOTT: The first schedule reads:

1. Capital employed at beginning of period.—For the purposes of this act, capital employed in any year or fiscal period means the capital at the beginning of the said period computed in the manner hereinafter specified.

2. Capital includes.—Capital shall be taken to be the following, subject to the deductions hereinafter provided:

(a) Cost of assets.—So far as it consists of assets acquired by purchase on or after the commencement of the business, the price at which those assets were acquired and where the price of any asset has been satisfied otherwise than in cash, the then value of the consideration actually given for the asset shall be treated as the price at which the said asset was acquired;

(b) Accounts receivable less reserve for bad debts.—So far as it consists of assets being debts due to the person carrying on the business, the full amount of those debts subject to any deduction which has been allowed under the Income War Tax Act in respect thereof on account of bad debts;

(c) Value of assets acquired otherwise than by purchase.—So far as it consists of any other assets which have been acquired otherwise than by purchase as aforesaid, the value of the assets when they became assets of the business;

(d) Amount of money and bank deposits.—The amount of money or bank deposits which are actually used by the taxpayer in the business.

Then there are the deductions.

Mr. DIEFENBAKER: To summarize, it covers the assets.

Mr. ABBOTT: That is correct, assets less deduction for liabilities, depreciation and depletion and so on, except borrowed money. The explanation is set out in the first schedule to the Excess Profits Tax Act.

Mr. ZAPLITNY: Can the minister give us an assurance that capital employed will not be construed as including turnover of the cooperatives?

Mr. ABBOTT: I give that assurance readily.

Mr. CASTLEDEN: The matter of retroactive taxation is vital so far as the pools are concerned. Retroactive taxation will take into account money which was set aside by the

pools for a number of years. It is vital because, as far as the pools are concerned, they have operated their business under the protection of what they thought section 4 (p) gave them, ever since 1930. This will amount to millions of dollars, money which the pools have used in paying off claims on old estates taken up. At the present time patronage dividends are worked into revolving-door plans which will go back eight and even ten years, and probably more. In turning over in his mind the meaning of capital assets and the use of capital so far as the cooperative organization is concerned, I hope the minister will notice the basic difference between that and the money put into an ordinary enterprise for the purpose of declaring profits upon the sale of goods. The cooperative does not place capital into an organization for the purpose of paying profits; it puts it in there to create capital assets out of which the members will have assets from which they can operate their business. Their aims and objects are not to declare profit. That is why we so strenuously oppose the idea that the government is to compel all cooperatives to declare this three per cent. They are not to be allowed to declare and distribute patronage dividends beyond three per cent on the capital investment. It is clear what the government intends to do.

Mr. ABBOTT: I am very conscious of the point which my hon. friend has been making.

Mr. CASTLEDEN: It is clear that by this legislation the government intends to compel all cooperatives to declare that three per cent. That is basic so far as we are concerned. This resolution has been placed before the committee, and before it passes we intend to call for a recorded vote. We can see the basic principles of the cooperative movement violated by this legislation, and we cannot permit it to pass without registering our protest. When the bill is before us it will be impossible for us to do so.

Mr. ABBOTT: Why? I made it clear the other night, when we were discussing this resolution, that it could pass on division. I said that to the hon. member for Rosetown-Biggar. When the bill is up for second reading it is open to any hon. member to attack the principle and to suggest amendments.

Mr. KNOWLES: Suggest them only.

Mr. ABBOTT: Obviously, amendments which involve charges on the revenue have to be proposed by a member of the government.

Mr. CASTLEDEN: That is the point I wish to make.

Mr. ABBOTT: Any amendment which can be proposed here can be proposed when the bill is in committee after second reading.

Mr. CASTLEDEN: We cannot get a vote on it.

Mr. ABBOTT: It can be done in exactly the same way as here. You have three chances.

Mr. CASTLEDEN: We are going to contest everyone of them, and we are going to make our position clear in regard to this matter.

Mr. ABBOTT: I think the C.C.F. party has made it abundantly clear. I have not heard one member who has spoken on that side say that he was in favour of this three per cent clause. It has been made abundantly clear to the country that the party is 100 per cent opposed to it.

Mr. KNOWLES: And a few Liberals, too.

Mr. ABBOTT: I think we can take that for granted.

Mr. CASTLEDEN: Let me conclude by saying that when this motion is put we are going to rise and ask for a vote on it.

Mr. FAIR: In the event of the government successfully collecting or extracting some money by way of back taxes, is it the intention to look over the field and see if there is some money to be extracted in the form of back taxes from other firms or organizations?

Mr. ABBOTT: Did my hon. friend ask me a question?

Mr. FAIR: Yes. In the event of the government being successful in extracting some money by way of back taxes from the pools, is it the intention to look over other cooperatives with the purpose of getting back taxes from them?

Mr. ABBOTT: So far as other cooperatives are concerned, I think the minister made it perfectly clear in his speech that what was described as the good faith principle would apply. Where they believed in good faith that they were not liable for taxes no attempt will be made to go back on that. My understanding of the pool situation is that in 1941 or 1942 they were advised that the Department of Justice had given the opinion that they were liable to tax, and then later in 1943 they were advised that the Department of Justice had given the opinion that patronage dividends were not deductible as an expense. The legal position would be, so far as they were concerned, that they could not plead ignorance of the stand taken by the Department of Justice.

Mr. BURTON: I was interested in listening to the minister give an explanation of the various stages that this legislation would go through. It is quite true, as he explained, that when the bill is before us an opportunity will be given to hon. members to register their protest; but at the same time this resolution stage, if it has any value at all, gives hon. members an opportunity to try to persuade the government to make worth-while changes before the bill is brought down. If that is not so, then I can see no value in having the resolution before us. Since it is nearly six o'clock, I suggest that the chairman call it six o'clock and possibly after dinner I may be able to persuade the minister to make a few changes before the bill is brought down.

Mr. ABBOTT: I have listened to a lot of persuasive speakers, but I shall be delighted to listen to the hon. member for Humboldt.

At six o'clock the Speaker resumed the chair, and the house took recess.

After Recess

The house resumed at eight o'clock.

CANNED FISH

REQUEST OF UNRRA FOR RELIEF FROM CANADIAN COMMITMENT—STATEMENT OF MINISTER OF FISHERIES

Hon. H. F. G. BRIDGES (Minister of Fisheries): Mr. Speaker, before you leave the chair, and with the unanimous consent of the house, I should like to make a brief statement.

In order to clear up a misconception which may have been created by some press and radio announcements yesterday, I think it may be well for me to explain to the house the present position as regards UNRRA purchases of canned fish from Canada's 1946 production. Briefly, these announcements, which apparently originated in Halifax, were to the effect that UNRRA had asked Canada to release it from its commitment to purchase 30,000,000 pounds of canned herring, mackerel and chicken haddie and that thereby the maritime canners had been placed in a serious position.

What has actually happened is that UNRRA has asked to be relieved of this commitment as far as possible; but, at the same time, it has expressed its readiness to purchase whatever part of the 30,000,000 pounds, whether a large part or small, that Canada is unable to market through other channels. In other words, the commitment holds, even up to the total amount of 30,000,000 pounds if necessary.

[Mr. Abbott.]

Government departments, my own and the Department of Trade and Commerce, are exploring the possibility of finding other export outlets for some of this canned fish. On the domestic side, the wartime prices and trade board has recently lifted all restrictions as to the quantities of these products which may be released in Canada. In this way it may be possible to relieve UNRRA of some part of its commitment by disposing of some of the fish through other channels, but UNRRA will remain committed to take from us the remaining part of the 1946 output making up the 30,000,000 pounds. Thus the herring, chicken haddie and mackerel canners are assured of market outlet for this full quantity.

Mr. REID: Will those who have supplies of canned herring and other fish be allowed to find markets outside Canada, apart from what UNRRA has stated it will take?

Mr. BRIDGES: I will accept the hon. member's question as a notice, and give an answer later.

WAYS AND MEANS

The house in committee of ways and means, Mr. Macdonald (Brantford City) in the chair.

INCOME WAR TAX ACT

12. That for the 1947 and subsequent taxation years, the provision exempting the income of certain cooperative companies and associations be repealed and that for the 1946 and subsequent taxation years provision be made that there may be deducted from a taxpayer's income the aggregate of the payments made,

(a) in the taxation year or within six months thereafter to his customers of the taxation year; and

(b) in the taxation year to his customers of a previous taxation year after the 1941 taxation year and not previously deducted under paragraph (a) in respect of specified allocations in proportion to patronage for the said years the prospect of which was held forth

(c) by the statute or bylaws under which the taxpayer carries on business or by his contracts with his customers, or

(d) by the taxpayer in a specified manner prior to the commencement of the taxation year except that portion of such payments as would if deducted leave the taxpayer with an income less than an amount determined by deducting from three per cent of the capital employed in the business, including therein borrowed moneys, the interest paid by the taxpayer on borrowed moneys and deductible as an expense in computing his income.

Mr. BURTON: When the committee rose for the dinner recess our genial Acting Minister of Finance indicated that he would listen to me for a few minutes, but at the same time he gave the impression that little attention would be paid to what I might say.

Mr. ABBOTT: Not necessarily; it depends upon what the hon. member says.

Mr. BURTON: I should like to make use of this first opportunity I have had to discuss the resolution since the minister gave notice of the fact that two important changes have been made in what originally had been planned for the taxation of cooperatives. I wish to compliment the minister and the government, and to thank them on behalf of the cooperatives for the faltering step they did take. Even if it was done hesitatingly, at the same time it gives some of us the satisfaction of knowing that when occasionally we raise our voices the government listens. That is good, so far as it goes. The agreement to extend the period from six months to twelve months for the payment of patronage dividends is at least of some benefit to the cooperatives. The same observation would apply to the government's willingness not to compel cooperatives to treat members and non-members alike in connection with the payment of patronage dividends, a provision which is of considerable importance to the cooperative movement. As has been pointed out previously in the house, with benefits and privileges go some distinct responsibilities and obligations. Therefore I am pleased to see that the government has gone to this extent.

That leaves us with a resolution which still contains two undesirable features, from the point of view of the cooperative movement. The Minister of Finance on a number of occasions has objected to a reference to what has been called the retroactive feature in the taxation; nevertheless that is what people out in the country consider it to be, and it is something of great concern to some cooperative organizations.

As previously pointed out, this government and those which have preceded it are to blame for the situation in which the cooperatives find themselves to-day. Had we had a proper dominion cooperatives act which would have given cooperative organizations from one end of the country to the other a proper yardstick with which to govern themselves, in all probability we would not find ourselves in this position to-day. Furthermore, as has been pointed out, a former minister of finance in moving an amendment to this act some years ago—and this has been placed on record—distinctly told the house at that time that it was the intention of the government to make provision for cooperatives.

The question was asked this afternoon respecting the exact amount involved, and how much the taxation would bring to the treasury. While I admit that is important, yet to my mind there is something more fundamental in this than the mere counting of dollars and cents. Consequently I say that the principle involved is of more concern to the people of this country and to the cooperatives in particular than are the actual dollars and cents, even though they may amount to quite a sum.

There is a second feature that I take serious objection to being retained in this resolution. I refer to the three per cent clause. I wish the Minister of Finance, the Acting Minister of Finance and their colleagues in the government would realize that the principal motive of the people who comprise the cooperative movement, their thought and their desire when they banded together, was not the return that they might get on the money invested but the service that they could render to the community.

The story has been told many times in this house, and I have no doubt that there are many members in the present parliament who have a working knowledge of how these different cooperative organizations were formed. However, I fail to see where that knowledge and understanding has been of any benefit to the government in bringing down this legislation. It is not my intention to take up the time of the committee or to weary hon. members, but I should like to give a brief resume of the history of cooperative organizations. In order to shorten that resume, I shall deal with only one organization which has been mentioned a number of times this afternoon, the wheat pools of western Canada. I want to assure hon. members from other parts of Canada that when we speak of the wheat pools we are speaking of only one part of the cooperatives, and we know that other parts are vitally interested.

I well recall in years gone by when we did not have a cooperative organization in so far as the marketing of grain in western Canada was concerned. A former minister of agriculture who sat on the same side on which members of the government now sit, the late Doctor Motherwell, played a most important part along with other people in forming the original grain growers' association of western Canada in an attempt to obtain some redress from the treatment that the farmers were receiving from the grain trade of that day.

We had a suspicion, in fact we had fairly definite knowledge that the grain trade of that day were not giving the farmers a square deal. It was commonly said that an elevator agent who could not make enough in operating an elevator for one year to pay for the elevator three times over was of no use to the elevator company. I have seen a farmer drive in forty or fifty miles with a little jag of grain. When he got to town the agent would examine the

wheat and say, "That is a nice sample of No. 1, but I am sorry, I have room only for No. 3". The farmer had to take No. 3 price or haul his load home for another forty or fifty miles.

We had knowledge of those things. From the old united grain growers' association we established the Saskatchewan cooperative elevator company. In establishing that company we had a desire, not to make a profit on the money we invested, but to build a cooperative that would give us service and a fair share of the consumer's dollar. However, in building up that organization we did not accomplish what we had hoped to accomplish. I would not say that we were deliberately misled; but it finally turned out that, while there was a decided improvement in the service, while an attempt was made to give service in preference to making a return on investment, we still did not attain that cooperative principle for which we were striving. In the final analysis, the cooperative elevator company was run on the basis of a return for the money invested. As an example, if I hauled all my grain to the cooperative elevator I would not receive any more in proportion to the money I had invested than would the man who did not haul a single bushel.

As things went on, we could see more and more that we had not built our structure properly. In spite of the fact that the elevator company was giving improved service at reduced cost, we were piling money on top of money. Shares which cost $7.50 went up to $50, after the original investment had been returned time after time in the form of dividends. That confirmed the idea that we had that we were not getting a fair share of the consumer's dollar for the grain that we had been putting into the different elevators of this country.

That is what brought on the next step, the formation of the wheat pools and the subsidiary pool elevators. We learned from the mistakes of the past that if we were to build a true cooperative we had to get away from the idea of obtaining a return on our money. What we tried to do was to build an organization that would give the individual farmer a fair return on the consumer's dollar that was paid for his grain. I do not need to go over the history of the wheat pools. They had their ups and they had their downs, but throughout the years they have endeavoured to adhere to the principle that, instead of getting a return of money on the investment, the main concern should be to give service to the members and endeavour to obtain for them a fair share of the consumer's dollar.

As has been pointed out, for a considerable number of years the Department of National Revenue did not assess the wheat pools. Finally they came to the conclusion, rightly or wrongly I would not say, that under the act as it was and in spite of what the Minister of Finance has said in years gone by, the pools should be assessed. They intimated to the pools at that time that if they were not satisfied they could take the case to the courts and it would not cost them any more than if the government took the case to the courts itself. But no sooner had that action been taken than the government blocked it all by appointing the royal commission. That stopped any further litigation.

Mr. ABBOTT: It did not block it. It was done by mutual consent.

Mr. BURTON: It prevented a decision from being given.

Mr. ABBOTT: No, it did not prevent getting a decision, but by mutual agreement I believe, the litigation was not pushed ahead.

Mr. BURTON: That shows that the government was no more certain than the pools about the right to tax.

Mr. BERTRAND (Laurier): The pools were more certain than the government.

Mr. BURTON: We can argue that back and forth. I do not know why the government are so determined to follow the McDougall report in some respects and then throw the rest of it overboard. They established a commission a year ago, and now they come back and adopt certain parts of its report and say: There it is, boys. The rest they simply let go by the board.

I was quite prepared to give the government credit for having done what they have done since the budget was brought down, but I wish to emphasize to you, Mr. Chairman, and the members of the committee that the other two parts of the resolution that I have mentioned are of fundamental importance to the members of the cooperative organization.

I have given the minister a brief resume of how we formed one cooperative. I will give another example. In Saskatchewan we formed the consumers' cooperative refinery, which brought about equally beneficial results for the consumer of gasoline in Saskatchewan, not in the way of returns on the money invested, but in giving service to the people of the province. It seems, however, that the government is determined to make those of us who do not believe that the wages of money must be given first consideration accept that principle. Those of us who have banded ourselves together in cooperative movements have done

so with the sole purpose of trying to help one another and for the benefit of the community, not for the purpose of seeing what we can get out of the money invested in this or in that. We say that on any money that we as individual members of a cooperative receive in the way of patronage dividends and returns from our respective organizations we are prepared to pay income tax just like any other citizen, but we contend that the money that we put into the cooperative is the money of the individual and not the corporation's money to be used with the idea of making profits to pay dividends to certain shareholders. If a person does not want to do business with our cooperative, regardless of what that cooperative organization may be, that is his right and privilege and he can go ahead and do business with any other organization or company. But we contend that we have built up an organization that has striven for the advancement of the community instead of piling up profits on top of profits, and that we should not be penalized for doing that. I repeat I am satisfied that the government is determined to force upon the cooperatives of this country the idea that the wages of money come before service to the community.

Mr. ABBOTT: I have denied that every time the statement has been made, but I suppose I had better do it again.

Mr. BURTON: In biblical days some people received a severe reprimand for worshipping the golden calf. To-day we have a lot of people in this country who, I think, should be reprimanded for giving precedence to interest on money above everything else. It is on that basis that I oppose this resolution.

Amendment agreed to.

The CHAIRMAN: Shall the resolution as amended carry?

Mr. GRAYDON: Would you read it, Mr. Chairman?

The CHAIRMAN: This is the amended resolution:

12. That for the 1947 and subsequent taxation years, the provision exempting the income of certain cooperative companies and associations be repealed and that for the 1946 and subsequent taxation years provision be made that there may be deducted from a taxpayer's income the aggregate of the payments made,

(a) in the taxation year or within twelve months thereafter to his customers of the taxation year; and

(b) in the taxation year to his customers of a previous taxation year and not previously deducted under paragraph (a) in respect of specified allocations in proportion to patronage for the said years the prospect of which was held forth

(c) by the statute or bylaws under which the taxpayer carries on business or by his contracts with his customers, or

(d) by the taxpayer in a specified manner prior to the commencement of the taxation year except that portion of such payments as would if deducted leave the taxpayer with an income less than an amount determined by deducting from three per cent of the capital employed in the business, including therein borrowed moneys, the interest paid by the taxpayer on borrowed moneys and deductible as an expense in computing his income.

Does the resolution as amended carry?

Some hon. MEMBERS: No.

Mr. BRACKEN: Mr. Chairman, have I the right to speak? A moment ago we had a vote on the amendment proposed by the government to its own resolution. To that amendment I saw nobody in this chamber vote in opposition. We now have before us the government's resolution as amended. That resolution as amended by the government this party will not support, and for this reason. The government, after many months—in fact after some years of study—after it has had a commission examine into this whole question, brings in a proposal with respect to the taxation of cooperatives. On two or three features of that policy it has changed its mind since its proposal was introduced, changed its mind on the suggestion and with the approval of nearly the whole house. But two taxes still remain in the government's programme: one, a tax on three per cent of the employed capital of cooperatives—a tax to be applied in future. That is one considered policy of the government with respect to the taxation of cooperatives in this country.

But with respect to the past, during which time the government imposed no tax on cooperatives, and during much of the time did not try to collect any, the law officers of the crown, whom it assigned to interpret legislation which was not intended to tax cooperatives, have recently interpreted the legislation to mean that it can tax cooperatives. In the light of that circumstance, certain of these large cooperatives did not pay patronage dividends over the last two years; they held the money back which would otherwise have been paid out—held it back in order to have funds to meet the threat of possible taxation. It is held there in huge sums; and on the basis of the tax laws of the past this government is saying in effect, "Now we are going to tax three of the large cooperatives in western Canada to the extent of millions of dollars. For the future these organizations will pay less than $300,000 a year; but for the last two years we are going to make them pay possibly ten or fifteen times that amount each

year." They are now discussing just how much the latter tax will be—a proposed compromise on the legislation as it was.

My position is this. If it is wise policy from now on to tax these cooperative organizations, in round figures—because that is all we can get—say less than $300,000 a year, this government cannot justify taxing these organizations ten or fifteen times that much for the last two years. For that reason we shall have to oppose this resolution as amended.

Mr. COLDWELL: The amendment improved the resolution; but, as the leader of the opposition has stated, the amended resolution is, except for that slight amendment, as objectionable as ever. The principle is wrong. What the leader of the opposition has said in regard to the taxation of the large cooperatives is, I think, justified. This afternoon I objected strenuously to the three per cent feature of the resolution, and because of the unsatisfactorily amended resolution we shall oppose the resolution as amended.

Mr. LOW: I have been deliberately refraining from much talk on this whole resolution because I wanted to learn exactly what it was that the government intended to do. There have been so many confusions in the course of the debate thus far that it has been most difficult to get at the kernel of the truth; but I think I now see the whole situation quite clearly, and I am definitely and unalterably opposed to the idea of applying that three per cent tax. My objection is not based on what will happen or what has happened or what could happen, we will say, retroactively with respect to the wheat pools—important as that matter is—so much as it is upon this principle of placing the cooperatives in exactly the same category as other corporations. If there are true cooperatives in this country—and there must be a good many true cooperatives—they certainly cannot be placed in the same category for taxation purposes as an ordinary corporation. The principle involved is to my mind, an important one, and the resolution as amended certainly does not in any way appeal to me. I shall oppose it with all my strength.

Mr. BLACKMORE: I happened to be out of the chamber, attending various committees, during this discussion, and I have not had an opportunity of making any statement regarding this matter. I have no desire to speak at length, but I believe that the whole situation with respect to what is proposed ought to be clarified. I cannot find out what is proposed under the resolution and the amendments of the resolution. The meaning, significance and impact of this three per cent proposal are indistinctly understood.

I have a feeling, and have had ever since the campaign was developed against cooperatives, that there is in this country a body of men that is deliberately aiming to destroy cooperatives; and I do not believe that the present proposals of the government are entirely without a devious hidden influence somewhere seeking to accomplish that nefarious objective. The campaign which was conducted throughout western Canada in an endeavour to bewilder and confuse the people with respect to cooperatives and their taxation was financed with tremendous sums of money. That money did not come from any group of people who were anxious about the dominion government getting that much more revenue; it came from a group of people desirous of destroying cooperatives, and the only reason they wished to destroy cooperatives was that they had found that the cooperatives were doing the work for which they were organized, namely protecting the individual citizen throughout Canada against the rapacious greed of monstrous organizations aiming at the destruction of the common man.

That is precisely the situation; and in order to clarify matters so that the committee may know where it is going and what it is doing, I would make this proposal. Let the government withdraw the proposal to tax cooperatives at the present time and devote at least a year to the clarification of the situation. Nowhere have I been able to find, even in the commission's report, a distinct and clearly demarcated definition of what constitutes a cooperative and what does not. Neither do I find in the speeches of hon. members on the government side or in the legislation which is apparently proposed any exact definition of what constitutes a cooperative. Merely to pass a law to tax cooperatives, when we have no idea what we are going to tax is, I consider, a reckless procedure.

It may be argued that if we pass the law and find later on that it is undesirable we can rescind it. That is simply not the way matters work in democracies. No matter how pernicious a law is, it will be next to impossible for us to organize a body of public opinion sufficiently strong to repeal it once it is passed.

I should like to make some suggestions; but, before doing so, I would read a statement made last January by Clinton B. Anderson, United States secretary of agriculture. I am quoting an excerpt from his speech, taken

from the Alberta wheat pool budget of July 19, from an article entitled, "Clamps Down on Cooperatives":

When I think of farm cooperatives I think of them not as complex business concerns, but as groups of independent farmers banded together to do some job that is too big for them as individuals. They are not seeking profits as a group, but are seeking to use modern business methods to maintain their way of life. It is this basic objective of farm cooperatives that has caused congress and the courts to recognize generally and in specific legislation the right of farmers to organize cooperatives and the public welfare obligation of cooperatives. Shorn of all technicalities, it is this basic purpose that frees cooperatives from income tax.

I believe that with the sentiments of that statement virtually every member of this house is in accord, whether he be on the Liberal side or on the opposition side. I wager that eighty per cent of the members of the house are in sympathy with these remarks; yet at the present time we have no assurance whatsoever that the legislation proposed by the government is in accord with the spirit of these words. We have no such evidence at all. We need to know exactly what is a genuine cooperative. The definition ought to be worked out with minutest care by men thoroughly qualified for the task.

Of all the organizations in Canada at present operating under the name of cooperatives, exactly which ones can qualify under the definition implied in Mr. Clinton Anderson's statement, and precisely why? That question every hon. member ought to be able to answer, but there is hardly one of us who is capable of giving an answer to it, simply because we have not the information at our disposal. On the other hand, which organizations cannot so qualify, and precisely why? That is something which we ought to know.

All this ought to be worked out, first of all; the facts should be publicized in every nook and corner of the dominion, and every cooperative should be given at least a year in which to bring its organization and practices into conformity with principles universally accepted as those of genuine, bona fide cooperatives. Until this is done, we are in no position, either as a house or as a country, to pronounce on the important matter of the taxation of cooperatives. I submit in all earnestness that the government should withdraw these resolutions and allow the people of Canada to know exactly what is being proposed with respect to their welfare where the taxation of cooperatives is undertaken.

The CHAIRMAN: I am about to put the question, and thereafter no further discussion will be allowed. Is the committee ready for the question?

Resolution as amended agreed to on division: Yeas, 70; nays, 56.

The CHAIRMAN: I declare the resolution as amended carried.

Mr. BRACKEN: Mr. Chairman, I understand that on a vote in committee pairs are not recognized. I did not vote, only because I wished to carry out the spirit of an arrangement I had with the Prime Minister. Otherwise I would have voted against the resolution as amended.

Mr. IRVINE: I am in a similar position in relation to another hon. member.

Mr. ABBOTT: I suggest that the committee now take up resolution 16. This is the other resolution dealing with cooperatives generally. Resolutions 13, 14 and 15 deal with credit unions and mutual insurance companies.

16. That the income of a corporation or association commencing business after December 31, 1946, incorporated or registered under provincial cooperative legislation and organized and operated as a bona fide cooperative for the purpose of marketing natural products of or acquired from its members, or of purchasing supplies, equipment or household necessities for, or to be sold to, or of performing services for, its members be exempt from taxation during the first three complete taxation years following the commencement of business.

Mr. WRIGHT: Will the minister further clarify the statement which was made that the government would accept the cooperative acts of the provinces as the basis of determining a true cooperative for taxation purposes under the resolution? Is that a fact?

Mr. ABBOTT: I believe there will be some other provisions; but cooperatives which are recognized as such, incorporated, organized or registered under provincial cooperative legislation, will be recognized as coming within the legislation to be founded on this resolution. There will be some other provisions in the bill, but I cannot give definite indications as to what they are until I am able to bring in the bill itself.

Mr. WRIGHT: We should have something more definite than that on this matter. This is changing entirely the principle of taxation in this country when the dominion government has to rely on provincial legislation to determine those who are taxable under dominion statutes. I am not a lawyer, but I think that is a departure from any taxation principles which I have known before in this house.

Mr. ABBOTT: Will my hon. friend allow me to repeat what I said before? Resolutions of this kind are largely in the nature of notice on broad lines of intended legislation. If my hon. friend will reserve his specific criticism

until the bill is before the committee he will see the exact conditions which will be laid down to render a bona fide cooperative eligible for the three-year exemption contemplated under this resolution.

Mr. WRIGHT: Then what will be the position of cooperatives such as many of those we have in the province of Saskatchewan, which have been formed during the war years? Most of the cooperatives which have been formed took over existing businesses. That was the only way they could get a quota of stock to sell. In most rural areas and small towns we find that it is much better for all concerned for the cooperative being formed to take over an existing business rather than set up a competitive business and perhaps put out of business someone else who is serving the community. Am I to understand that if a cooperative is formed in that way it will not be allowed to obtain exemptions for the three years as will other cooperatives which are formed and do not take over an existing business?

Mr. ABBOTT: As indicated in the minister's speech, that was the intention, although it is not so specified in this resolution. The real purpose of the exemption to a new cooperative is to enable it to get on its feet. If a cooperative takes over an existing business which is already established and has a clientele, has inventory, has working capital and all that kind of thing, it does not need—

Mr. WRIGHT: It will not have working capital.

Mr. ABBOTT: It may or it may not; it will depend on the type of cooperative. If it takes over an established business it has not the same need for this exemption, for what it may be worth. It certainly should not be the intention of this or any other legislation to encourage groups of individuals to take over existing businesses and be prepared to convert them into cooperative enterprises, which, in some cases, might be for the purpose of obtaining tax exemptions.

Mr. COLDWELL: May I just say a word on this resolution? I know some members of the committee feel that the cooperatives are inclined to deal rather harshly economically with existing small businesses. I know there is nothing that any cooperative has done—if what is alleged is correct—which may equal what is proposed under this legislation. This is what is happening in many of the smaller towns in western Canada. The farmers organize a cooperative society. Instead of going into a town and competing with the merchant already established there and putting him out of business because of the membership at large in the community, the cooperative goes in and suggests to the business man that they are going to organize anyway. He has an established business there and on a fair basis they are prepared to take over his business. In many instances of which I know they appoint the owner of the store the manager of the business. As a matter of fact I know that some of the managers of these stores—and I have several in mind at the moment—who have accepted such a proposition are to-day actually better off than they were as independent merchants in the villages. In the interest of equity, and from every other point of view, I say that the explanation given by the minister in the budget speech is frequently against the interests of the small businessman in the area where the cooperative starts up. What you are going to do is to say to the people in the community—and I have particularly in mind the farmers in a given community—you may start a cooperative society, but if you take over an existing business you cannot get the same relief as you would if you started a new business of your own.

With regard to what the minister says concerning a business established with its own working capital, I would ask him to think it over. I do not think it is a sound argument. As a matter of fact a cooperative organized to take over a business begins in exactly the same way as a cooperative starting a new business. It has to raise working capital in the same way; it has to do its business in the same way as any other cooperative beginning business would do. On the other hand, if the interpretation given by the minister in his budget speech to the words "commencing business" is adhered to, in many instances it will work a hardship on men who have established a small business and who might otherwise be protected by coming into the cooperative and acting as managers for the cooperative society. The minister should give consideration to that point.

Mr. ABBOTT: Let me say at once that there is nothing in the resolution which would preclude that, and on this particular point, whatever it may have been on some others, my mind is completely open. I shall be glad to give consideration to that point and to discuss it with my colleagues. In its terms the resolution does not preclude it; it is in broad general terms.

Mr. COLDWELL: I am thinking of the budget speech.

Mr. ABBOTT: I mentioned that. I pointed out, as the minister indicated in his budget speech. that was the intention.

Mr. WRIGHT: What is the position of a cooperative which was formed in 1944?

Mr. ABBOTT: It is not affected at all by this resolution.

Mr. WRIGHT: Will it have exemption from taxes for three years?

Mr. ABBOTT: No; this applies to the ones commencing after December 31, 1946.

Mr. WRIGHT: Then the minister is making a distinction there. This resolution should be framed in such a way as to include a cooperative which started in 1945. As it reads now, it refers to cooperatives starting in 1946.

Mr. ABBOTT: We do not like retroactive legislation.

Mr. WRIGHT: It does not need to be retroactive. Start from this year and say that from this year it will not be taxed. It is not retroactive so long as it is made applicable to cooperatives which started in 1945 or 1944. It would simply mean that the cooperative which started in 1944 would have one year in which it would be free from taxation; the one which started in 1945 would have two years, and the one which started in 1946 would have three years. The minister will have to do that to make the legislation fair.

Mrs. STRUM: I was delighted to hear the minister say that he had an open mind on resolution 16, because there is one particular aspect which interests me very much. During the war years, cooperatives starting up could start only by buying out existing businesses. Under the wartime controls they were not allowed to start new businesses. I happen to know of one case because I was a shareholder and it was in my home town. The only way they could start up was by buying out a retired merchant. It meant that we had to raise a substantial amount of money to take over. We had to pay for the business in cash and we were crippled for lack of liquid capital; we were crippled in the matter of stocking our shelves with merchandise because we were forced to put out such a large outlay to begin business. Had we been able to start under other circumstances, we might have been able to rent a building and we would have had only the cost of rental, but we were forced to buy a building which contained living quarters and which was much larger than the sort of unit we would have started with ordinarily. I am sure that there are many cooperatives in this position. From the beginning they are forced to purchase existing businesses. They are forced to put out a large amount of available capital in order to get started. Anything that will make it difficult for them to carry on will be a crippling move, and I am glad to hear that the minister is open to conviction.

Mr. ZAPLITNY: I was interested in the answer which the minister gave to the hon. member for Melfort in connection with the three-year exemption from taxation. Had the answer been more favourable, I would not have thought it necessary to move an amendment. However, in view of the attitude taken, I move the following amendment:

That resolution No. 16 pertaining to Income War Tax Act be amended by striking out the words "commencing business after December 31, 1946" as such words appear in lines 1 and 2 of the said resolution.

The effect of that amendment would be that any cooperative commencing operations in 1944, 1945 or 1946 would come in under the exemption, the same as the others.

Mr. ABBOTT: As my hon. friend probably anticipates, I am obliged to take the stand that his amendment is out of order, having been moved by a private member. Clearly, if adopted, it would alter the balance of ways and means for the current year, and would render cooperatives which might otherwise be taxable exempt from taxation. Therefore I must take the stand that it is out of order.

Mr. COLDWELL: Will the minister allow this whole resolution to stand, in view of the representations made, and give consideration to the various aspects of it?

Mr. ABBOTT: If the committee insists I will allow it to stand. I have pointed out that it is in broad terms, with the exception of the point now raised by the hon. member for Dauphin. But I also point out that section 4(p) of the Income War Tax Act will continue in force until December 31, 1946. So that whatever rates are available to cooperatives under section 4(p) will continue until that date, and the new legislation will become effective as and from January 1, 1947. Therefore I think it is consistent to give a three-year period of complete exemption from January 1, 1947. I shall give further, and perhaps even sympathetic consideration to the point raised by the hon. members for Rosetown-Biggar, Melfort and Qu'Appelle, as to the question of extending the privilege to a cooperative which acquired an existing business.

However, I must take the stand that any amendment to change the date is out of order and, in fairness, I should add that I would have to have much more convincing

reasons than have thus far been offered to make me change my view that we should make the commencement of this exemption period coincide with the effective repeal of section 4(p).

I should hope that, subject to further discussion on the general principle, the committee could accept the resolution, thereby enabling us to proceed with the others.

Mr. WRIGHT: I appreciate that the minister will give consideration to the points raised, but I should also like him to give consideration to the matter of cooperatives formed in 1944 or 1945. Under section 4(p) they may be, and in many cases are exempt from taxation. Now they will find that when section 4(p) is revoked they will be taxable. The fact is that they will be taxable for the last year, upon which they would not otherwise be taxable if they were new cooperatives being formed in 1947. There would be two years in the case of one, and one year in the case of the other, under section 4(p). But now they become taxable. I believe it will be found to work out in that way. An unfairness will be created there, unless this provision applies to all cooperatives as from 1947, whether they were formed in 1945, 1946 or 1947.

Mr. ABBOTT: I will think over the point raised by the hon. member. Frankly I do not think there is any danger of their being involved.

Mr. ISNOR: In view of the statement made by the minister that he would give sympathetic consideration to the case made out by the hon. member for Rosetown-Biggar when that hon. member painted a picture of a merchant going into a village and taking over the business of another, I should like to say a word respecting a similar situation, and approaching it from a different angle.

Two merchants are competitors in the same village. They carry on in a friendly way, doing business and serving the community for years in a satisfactory manner. A cooperative comes to one store and says to the owner, "We have a proposition whereby you will turn over your business to us and we will make you our manager. If you do not do that we will open another store in competition with you. Because of our membership and the friendly feeling existing toward us in the community, you can figure out for yourself what will happen to you."

Because of that pressure, one of the merchants gives way, sells his business and takes the position of manager. He is now in competition with the second merchant across the street. One of these merchants enjoys a three-year exemption, while the other suffers no handicap at all.

In the course of time the cooperative organization will set up certain profits, perhaps in the form of patronage dividends. The other evening the sum of $25 was mentioned, of which $10 is kept and $15 goes back into the business. The reserve is set up until such time as they have sufficient money to spend $500 or $600 for the installation of a new front. Notwithstanding the fact that the prices in the two stores may be the same, people will naturally turn to the one with the most attractive front, and with the better window lighting. Because of the reserve and the handicaps set in his way, the second storekeeper would be placed in an unfair position. That is why I should like to see fair taxation for all types of business.

Mr. BENTLEY: A minute ago the minister said that he had an open mind, and that he would possibly give sympathetic consideration to the suggestion made. Then he qualified his statement by saying that he had not yet heard any convincing evidence.

Mr. ABBOTT: That was on the other point.

Mr. BENTLEY: I believe it applied to both these points. If the minister will turn to his copy of the McDougall commission report he will find at page 45 the most convincing evidence in support of our contention. I would ask him to direct his attention to paragraph 7 on that page, and the seventh line in that paragraph where he will find these words:

> . . . with the consent of the minister, be exempt from income tax for its first three fiscal periods following the commencement of operations.

That was the recommendation mentioned by the hon. member for Melfort. I do not offer it in any spirit of criticism, but I believe the minister will see the justice of it.

I should like to point out one important cooperative which will be affected by the proposals in resolution 16 of the budget resolutions, and the minister's statement respecting the budget, to the effect that this three-year exemption will not be applicable to those who begin operations prior to December 31, 1946. In the budget speech it is indicated that those who take over an existing business will not be exempt, either.

We have in Swift Current what is known as the cooperative horse-marketing association, through which we pack horse meat for Belgium and UNRRA. We have found through the years that the ranchers who used to be in the

horse-raising business, when it was a good business, have found that the country now needs cattle more than it does horses. Horses are very hard on grazing land because they clip close to the ground like sheep.

A couple of years ago, in an attempt to get rid of these horses a marketing and packing organization was established under cooperative laws. They had great difficulty in getting started because the war was on and buildings and supplies were hard to get. There was considerable competition in the way of getting capital because campaigns were being carried on for the purchase of victory bonds and so on; yet they had to be financed. First, the Saskatchewan government guaranteed the organization to the extent of $50,000. Next, the Belgium buying committee helped them by way of advance orders. The Bank of Montreal made considerable advances on the understanding that when they became organized and the members' capital began to come in they would be reimbursed from that and from the earnings when they started to work.

They got going under those difficulties. If they had had to build a new building, as the budget indicates is necessary, they would never have got started. However, they took over an old power plant which belonged to the city of Swift Current. That was an existing business, and technically, according to the budget, that stipulation would apply to this particular case. On both counts this new association is going to suffer severely unless the minister gives more than sympathetic consideration to its case. That is one reason why I believe the most convincing argument I could offer is the recommendation of the McDougall commission.

Mr. ABBOTT: This goes farther than the McDougall commission recommended. As my hon. friend has pointed out, the McDougall commission recommends that it be with the consent of the minister. In other words, they were suggesting that another of these discretions to which objection has been taken in some cases should be conferred upon the minister. The resolution proposes that the exemption will be given as of right; there will be no discretion in the minister to approve or refuse it. That is why I say the proposed legislation goes farther than the McDougall commission recommended.

Mr. BENTLEY: That is quite correct so far as those who started after December 31, 1946, are concerned; but it is not so good, as I think the minister will admit, with regard to the case to which I referred. I believe they should receive some consideration because they have done a useful job for that part of the country and for the world. Poland and Belgium are very happy about it, as is UNRRA.

Mr. ABBOTT: The hon. member has almos convinced me to eat horse meat.

Mr. BENTLEY: I would be glad to give you a can because I have one upstairs.

Mr. POULIOT: Until what age does a horse remain palatable?

Mr. BENTLEY: Mr. Chairman, is this germane to the discussion? I am not an expert on the packing of horse meat. They have an expert at the plant who decides what horses shall be used. They are graded according to the amount of flesh.

Mr. BERTRAND (Laurier): Old horses are better than young ones.

Mr. BENTLEY: That is my opinion. Generally speaking, horses between five and ten years of age in good flesh are considered the best. Those are range horses, and they are always good.

Mr. COLDWELL: May I say just a word to the senior member for Halifax because probably the minister will read what the hon. member said and what I said in connection with the taking over of an existing business. Of course, what the senior member for Halifax said is true to a large degree. If a cooperative society with a large membership came into a community where there were two stores and made a proposition to one of the storekeepers to sell out to the society and take over the management, that new cooperative store would then be entering into competition with the other store which was not taken over and which was already in existence. I submit that the argument that the new cooperative society has an unfair advantage is not soundly based. I take it from the legislation before us that we all recognize that a cooperative society is on an entirely different footing from that of a private profit-making business.

Mr. ISNOR: In what way?

Mr. COLDWELL: I quoted what Doctor Coady had to say this afternoon. I shall not repeat the quotation, but Doctor Coady made this statement:

> The essence of private profit business is that the businessman takes a toll from his fellow human beings—legitimate in some cases, and positively unjust in other cases. In cooperatives on the other hand no member of the firm or company—to use the terminology of old-line business—can take a toll from his fellows. Any money he receives back in the shape of patronage dividends is his own money. These dividends are overcharges that were made by him-

self in the course of a year's business. By no stretch of the imagination, therefore, can patronage dividends be called profit or income.

I think that is sound. The hon. member for Swift Current made a statement during the budget debate. I am not permitted to quote that statement, but I think I can summarize it in this way. When a man joins a cooperative society he begins to serve himself. He puts a can of peas on the shelf for which he has already paid. Then he goes to the store to get that can of peas from the shelf. All that is required is that there shall be sufficient taken from him to put a new can of peas on the shelf. However, the cooperative society usually takes from him at the moment more for the can of peas than the actual service and the can of peas require to be taken, and at a subsequent period he gets back the overcharge. But that is not profit. Consequently the two types of business are not analogous, and that is the point we have been trying to get before the committee ever since this debate started.

Mr. SMITH (Calgary West): Suppose I who am not a member of the cooperative society buy the can of peas?

Mr. COLDWELL: I do not think any cooperative society objects to paying a tax on the profit made on business done with non-members. That has been said over and over again.

Mr. MacNICOL: How can they keep track of purchases by non-members?

Mr. COLDWELL: It so happens that most of us belong to cooperative societies. When we buy something in the cooperative store we are given a slip on which the purchase is registered. At the end of the year the cooperative society knows exactly what business it has done with its own members. In fact, your own number is placed on the slip for the records of the cooperative society.

Mr. MacNICOL: If I walk into a cooperative store as a stranger and make a purchase, is the clerk going to ask me if I am a member?

Mr. COLDWELL: He would say, "Are you a member and what is your account number?" You would then give your name and number if the clerk did not know you, but in most instances they know their own members.

Mr. ISNOR: I would point out to the hon. member for Rosetown-Biggar that there is a difference in the manner of doing business described by him and the ordinary business carried on by a cooperative store and the average so-called free enterprise store. The two stores I cited both purchase from wholesale houses;—these stores may be general or grocery stores;—they each have a manager and two clerks and they pay the same scale of wages. The overhead in each store is about the same. It is fair to say that their overhead expenses will be on the same plane at the end of the year. They purchase $80,000 worth of goods in the course of their operations and mark them up 25 per cent, which gives them a gross profit of $20,000. Both stores sell their goods at the same price. Take a look at their windows. Peas, beans, and so on, are all ticketed at the ceiling prices, and their profit is exactly the same.

An hon. MEMBER: No profits in the cooperatives.

Mr. ISNOR: I am dealing with actual facts, not imaginary. They are definitely profits, or there is gain, the difference between the cost and the selling price.

Mrs. STRUM: You mean margin.

Mr. ISNOR: Term it anything you wish to satisfy your own mind. The fact remains that the cost is the same and the selling price is the same. You can call it profit or margin or gain; it all amounts to the same thing when you put it in the cash register and total up your profits or gains at the end of the year. As I say, there is $20,000 profit, less the operating expenses. So that the net profit or gain or margin is the same in the case of both; the consumers are all paying the same price.

You may ask, where is the difference? The difference is that the private enterprise store, No. 2 store, is paying income tax year in and year out to the government to help carry on the business of the country. The cooperative pays no tax; it pays out its profits in the way of patronage dividends, and if the member of the cooperative does not wish to hold on to them he is allowed to give back $15, we will say, out of $25 to build up a reserve. If there is any fairness in taxing one store and not the other, I may be stupid but I cannot see it.

Mr. COLDWELL: The individual store owner puts his margin, if you wish to call is that—

Mr. ISNOR: I call it profit.

Mr. COLDWELL: He puts his margin or profit into his own pocket. The cooperative society, on the other hand, does not distribute a profit but returns to the individual members the overcharge which in the other case went as profits to the individual store owner. In the case of the cooperative it is returned to the members of the organization, being an overcharge that was made in the beginning. The reason why the cooperative store has

about the same mark-up as the private enterprise store is because it does not wish to enter into a price-cutting competition with the private enterprise store. As to the payment of income tax, the individual members of the cooperative society, if their incomes are large enough, pay income tax on them.

Mr. ISNOR: May I deal with that? There is a definite difference between the income of an individual and the income derived from the operation of a store.

Mr. McMASTER: What tax would store No. 2 pay, the one that was not run by the cooperative?

Mr. ISNOR: I wish to deal with the overcharge which the hon. member for Rosetown-Biggar mentioned. There is no such thing as an overcharge. When two stores set up to do business they both sell at the ceiling prices laid down by the regulations of the wartime prices and trade board. There is no overcharge. If a store tried to overcharge it could not possibly compete with the store that did not. The reason the small merchant is able to compete with the largest chain store or departmental store, no matter how big, is that he sells service to his customers. That is why the great majority of them succeed.

I am not opposed to cooperatives. I rather welcome competition on fair lines, but I certainly do not think the government or anyone else should subsidize one competitor against another. That is the whole point. You could not possibly succeed in business if you were continually overcharging your customers. Common sense will tell you that. If you adopted that course you would not last very long in business. Only by fair dealing can you carry on and build up a bigger business.

One hon. member asked me, would they not pay the same income tax? During the war, when we were paying excess profits tax over a certain standard basis, our entire profit beyond that point went to the government. But if we are allowed to distribute that excess to one hundred or one thousand individuals they in turn will pay a very much smaller amount individually, and the aggregate amount of income tax paid by these individuals on that distribution will not begin to represent the amount paid in taxation under the Excess Profits Tax Act or even under the standard profits tax by the store.

Mr. WRIGHT: The hon. member in distinguishing between two types of business called one a free enterprise business and the other a cooperative.

Mr. ISNOR: Just to distinguish them.

Mr. WRIGHT: I should like to know in what respect a cooperative business is not a free enterprise business.

Mr. ISNOR: I do not think it is necessary to go into detail on that. The hon. member knows my views in regard to free enterprise and individual incentive to make the best of one's opportunities, and I know his ideas in regard to cooperatives and public ownership. But I would say this, that there is a difference between the two, and the difference is that one continues to pay income tax from January 1, 1947, right through for three years, while the other pays no tax whatsoever. Surely that is a difference.

Mr. SMITH (Calgary West): Will the hon. member permit a question?

Mr. ISNOR: I hesitate to receive questions from the hon. member because I may not be able to answer them.

Mr. SMITH (Calgary West): I am sure you can, because I make my questions extremely simple when I am addressing them to you. My thought is this. We will assume that nineteen of my hon. friends to my immediate left form a cooperative.

An hon. MEMBER: We are twenty-eight.

Mr. SMITH (Calgary West): I said nineteen, because in Alberta you cannot have a partnership of over twenty people. We will also assume that nineteen of you on the other side of the house—I will leave my own party out of the discussion—also form a partnership. My hon. friends to my left open a grocery store on one side of the street in the town of X. You have a grocery store on the other side of the town of X. Your windows are dressed the same; you are selling groceries. I drive along the centre of the street in my borrowed motorcar—because I have not one at the moment—I am going out to shoot some ducks, or something of the kind, and I want some grub. I look at the windows and I go to one store or the other. Now, the cooperative pays no income tax, but the partnership does. Both adopt exactly the same methods of display and salesmanship. Will the senior member for Halifax, knowing that they adopt exactly the same methods, tell me why one should be favoured in the matter of taxation as against the other?

Mr. ISNOR: The hon. member always makes his questions so interesting and states them so simply, and then he surrounds them with a lot of frills. But after all—

Mr. SMITH (Calgary West): The answer is, there should be no difference—if that will help you.

Mr. ISNOR: The answer I would give him is exactly the same answer as he would give me. The hon. member gave the answer to the question the other day when he asked much the same question, and cited the two stores; I agree with him and I know he agrees with me.

Mr. CASE: I think this is a time when we should take a practical view and not be merely idealistic. I can claim a close association with the cooperative movement in Canada from its earliest beginnings in the province of Ontario and in parts of the province of Saskatchewan. But I also have the benefit of a background of municipal experience, and I know this, that one of the bugbears that municipal governments face is tax exemptions on land and on some enterprises which may be located within the municipality. I tell the committee this, that the costs of government in this country are now reaching proportions when somebody must dig down deep to raise the wherewithal to carry on.

As I view the cooperatives, the one method that they can employ to save money for their patrons is their method of purchasing. They purchase in large volume. Their costs of distribution are very little less than those of private enterprise, if there is any difference at all. The fact of the matter is that in a majority of cases the private enterprise man is probably providing his clients with some accommodation by way of credit, whereas the cooperatives will certainly seek to collect on the goods as they are sold; and quite properly so. I know that when I was associated with the Saskatchewan grain growers, whether the organization was selling binder twine or whatever it might be. we had cash on the barrel head when we sold, while probably the fellow down the street gave a range of credit for the goods he was selling.

Since someone has to make up the volume of money required, bear in mind that every time you grant an exemption somebody else must dig a little deeper. Not long ago I rose in this chamber and said that I had no objection to crown companies, provided that they bore their share of the nation's taxation; and in my contribution to this amendment, I am only trying to be consistent. I can remember that we had a motto in the Sunday school, in the days when I was interested in that particular work:

If everyone in the Sunday school is just like me,
What kind of Sunday school will the Sunday school be?

Mr. ABBOTT: That is an interesting question.

[Mr. A. L. Smith.]

Mr. CASE: If people find a means whereby, when they call themselves cooperatives, they will be granted a preference, the net result may be that you will have many cooperatives but someone will pay the costs. So what I am suggesting is that, since the costs of government are so great, I believe every individual and every corporation and enterprise should bear its fair share of the nation's costs.

Mr. ZAPLITNY: If I may be permitted to refer to the question asked by the hon. member for Calgary West, I think an answer should be given to his question, because I believe he was seeking an answer in all sincerity. May I point out there are two differences between a cooperative enterprise and the type of partnership which he described to us. In the first place, if any surplus is acquired, whether we call it profit or anything else, in the case of a cooperative it is divided on the basis of business done, while in the matter of a private business it is divided on the basis of the amount of money invested. That is one difference.

Mr. GIBSON (Comox-Alberni): And the amount of risk taken.

Mr. ZAPLITNY: That does not enter into it. The other difference, which I think is probably more important, is that in a private business, as I understand it, those who own shares have one vote for each share, or the basis is such that the more shares you own, the more control you have over the business; in fact, if you own more than half the shares you have the controlling interest in the business. In a cooperative you can own as many shares as you like, but it is "one member, one vote." No matter how much any one member invests, he has only one vote, and it continues to be a democratically run and operated enterprise. Those are the two differences.

Before I take my seat, perhaps I had better do two things at once. I am given to understand, Mr. Chairman, although you have not yet so ruled, that the amendment I have moved is out of order. I am also given to understand that if I withdraw it at this time there will be a more appropriate place to move it, on the third reading of the bill. So that with your permission I should like to withdraw my amendment at this time.

The CHAIRMAN: Has the hon. member leave to withdraw his amendment?

Amendment (Mr. Zaplitny) withdrawn.

Mr. SMITH (Calgary West): I made a suggestion a moment ago which was criticized in a very kindly way—if I may use the expression of the Minister of Labour who is not

here at the moment—and it was this. I suggested that nineteen people over there formed a cooperative and nineteen people there formed a partnership. Let us assume that the nineteen people in the partnership put up $100 apiece and that each had an equal vote because each had an equal investment. The answer of the hon. member was this, that in a cooperative, no matter how many shares a person owns, he only has one vote. A partnership can equally well have a partnership agreement stating the same thing. There is nothing against it in law, in equity, or in common sense. Having that in view, I hope to hear from the hon. member again, because he did say that his method was the more democratic. The most democratic thing I know of in this world is a willingness and even an eagerness to pay taxes, because that is the way the country lives. Governments have no other source of income. My whole point is just this: why, because you use a difference in method, is there a difference in obligation? Those nineteen men, let us say, are selling to nineteen hundred people to make their profit. "Profit" is a good word and I intend to use it. I drive along the street; there is their store and there is your store, and I am invited to buy at either place. In my judgment there is neither logic nor reason —perhaps they mean the same thing—why one in a matter of taxation should be treated any differently from the other.

Let us take this horrible thing, a corporation —because all you needed to do in the terrible thirties was to mention that something was a "corporation" and you could fill a hall in any part of the country and get lots of cheers if you just abused the corporation sufficiently. My hon. friend is quite right that a majority in shares, which means a majority investment, controls the corporation. In that, I frankly confess, it differs from a cooperative. If you have a real cooperative, be it a consumers' or a producers' cooperative, and a consumer, whom we will call A, buys more than B, then A will get more of the profits than B. That is the basis on which it is done. In other words, by purchase he makes a greater investment and therefore gets a greater return. What is the difference between that and a person making a greater investment in money, in buying shares, and therefore getting a greater return? Frankly I can see no difference whatever, and I should like my hon. friend, or the hon. gentleman who is almost on his toes ready to go, to answer what I have said.

Mr. KNOWLES: May I join with those who have tried to answer the question of the hon. member for Calgary West. I still prefer to think of us as a group of twenty-eight, all of whom would be in the cooperative, but we will accept his example of nineteen persons forming a cooperative and nineteen others forming a partnership. We have been asked to indicate differences. One particular difference that I would point out is that the nineteen of us in the cooperative will receive back patronage dividends, or whatever you call it, from that cooperative only to the extent that we ourselves make purchases. The nineteen of us will not gain by any of the sales which we may make to the hundreds of others who come along to buy, although actually a cooperative does not work in that way; most of the others would also be members. On the other hand, the nineteen who are in the partnership share in the profit that is made from sales to the hundreds who come to buy from that store. To that should be added the fact that we nineteen who are members of a cooperative cannot and do not make our living on the basis of what we save by being members of a cooperative. We have to have some other source of income, on which we pay taxes, and it is out of that other income that we effect a saving in purchasing the things we buy from a cooperative. But the nineteen, who form a partnership and are in a position to sell goods to hundreds of customers who come in, do make their living out of the profit they make from their investment in that concern, and hence should pay taxes thereon.

One other point I would put on the record has relation to a remark made by the hon. member for Grey North. To be perfectly fair, he did not make a misstatement; but when he referred to the difficulties that municipalities have with tax exemptions, the impression may have been gained by some that maybe cooperatives were in this position. I wish to make it perfectly clear—and I think he will confirm it—that cooperatives have to and do pay taxes to the municipalities on their property.

The CHAIRMAN: Shall the resolution carry?

Mr. KNOWLES: On division.

Resolution agreed to on division.

13. That for the 1946 and subsequent taxation years, paragraph (q) of section four which exempts from taxation the income of credit unions be amended to exempt the income of any credit union or any corporation or association the members of which are credit unions which derives its revenue primarily from loans made to members residing within the province to which is is restricted for carrying on its business.

Mr. ABBOTT: This resolution relates to credit unions. These credit unions are at

present exempt under the law and will continue to be so exempt. The McDougall commission, however, recommended certain changes in the wording of the exemption, and this resolution is generally in line with its recommendation.

Mr. COLDWELL: Resolution 13 refers to any corporation or association the members of which are credit unions, and which derives its revenue primarily from loans made to members residing within the province to which it is restricted for carrying on its business. During the war, a good many credit unions took any spare money they had and put it into victory bonds. What is the interpretation, under resolution 13, regarding investments made by such unions in victory bonds? Would that be taxed, or does this primarily cover the point? I should like the minister to give us a statement regarding that, because it is an important point.

Mr. ABBOTT: The effect of the legislation which will be introduced upon the basis of this resolution will be to exempt the whole income of credit unions. There is a question under section 4 (q) as it now stands that income such as my hon. friend has referred to would not be exempt because of the language of the section which now provides that the revenue shall be derived from loans made primarily to members residing within the territorial limits, and so on. This refers to revenue derived primarily from loans made to members residing within the province to which it is restricted. The intention is that the legislation when drafted will exempt the entire income of credit unions.

Mr. COLDWELL: That is the point.

Mr. WRIGHT: We have in Saskatchewan what is known as the Saskatchewan cooperative credit society. The membership of this society consists of all the credit unions in the province, or, if not all, a very large proportion of them. There are other members of the society of the various cooperative associations in the province, a great number belong to the society. The spare funds of the credit unions are made available to these cooperative societies through the Saskatchewan cooperative credit association. Would the minister tell us what the position of that society will be under this resolution with regard to taxation?

Mr. ABBOTT: That will be taken care of. The point has not been overlooked. There is some difficulty in preparing a suitable drafting of the act in order to bring in recommendation 2 A of the commission, but I am told by the officials that they believe it is going to be possible to work out a satisfactory section to cover the point which the hon. member has just raised.

Resolution agreed to.

14. That for the 1947 and subsequent taxation years, the provison exempting from tax the income of mutual corporations not having a capital represented by shares be amended to remove therefrom mutual insurance corporations except mutual insurance corporations which derive their premiums wholly from insurance of churches, schools or other religious, educational or charitable institutions.

Mr. ABBOTT: Resolutions 14 and 15 deal with mutual insurance companies and parallel generally the main proposals with respect to cooperatives. The main proposals with respect to cooperatives are, as the committee knows, the repeal of the exempting section 4(p) and allowance of deduction for patronage dividends. Resolutions 14 and 15 propose similar action with respect to mutual insurance companies other than life insurance companies. That is to say, resolution 14 repeals the present provision exempting mutual insurance companies, while resolution 15 allows these companies a deduction from income on patronage dividends; that is to say, amounts returned to the policy holders. In effect, the companies will pay tax on the amount of profits retained by the company and transferred to general reserve which is free from the individual claims of policy holders.

Mr. ZAPLITNY: Does this refer to fire insurance companies only? It says mutual insurance corporations.

Mr. ABBOTT: Fire, casualty, automobile and the like, other than life.

Mr. ZAPLITNY: I understand that a number of mutual companies carry on business in rural communities, insuring farm buildings. As the minister knows, it is not a lucrative type of business, and the ordinary fire insurance company is not at all fussy about insuring farm buildings because of the hazards. I was wondering whether it would be possible to include, along with religious, educational and charitable institutions, such as schools and churches, farm buildings.

Mr. ABBOTT: I shall be glad to consider that and take it into account when the legislation is being prepared.

Mr. MENARY: In our riding we have two companies, one a mutual insurance company and the other a wind and weather company. These companies were organized by the farmers putting up so much money and charging a certain fee. Afterwards they obtained some capital which they have not paid out, but they pay the losses. Would these companies be

subject to taxation? They are mutual companies, as I said before and they have a reserve now.

Mr. ABBOTT: If these companies or the mutuals transfer anything to reserve from the claims of policyholders, then they would be subject to tax in the same way as a cooperative; otherwise, they would not. As the committee probably knows, in the case of mutuals such as my hon. friend has referred to, the principal tax imposed under the Special War Revenue Act is a premium tax. The provision there is that if more than fifty per cent is from farm buildings premiums the tax is not imposed.

Mr. MENARY: These are all insuring farm properties.

Mr. ABBOTT: Anything transferred to general reserve would be subject to tax.

Mr. McMASTER: I should like to say something on this resolution. The minister may overlook this, but these companies are really true cooperative institutions. In my hand I have the Ontario sessional papers. In Ontario there are sixty-seven farmers mutual fire insurance companies. To show how small they are, the county of Middlesex has ten. Nearly every township has its own fire insurance company. The total amount of premiums received during 1942 was about $1,736,000, as compared with a total of nearly $14,000,000 received from joint stock companies. The amount of premium is small. In the case of the Ontario companies I have not the exact amount of the reserve, but the companies have paid their fire losses as they arose; consequently they are bound to have a certain reserve; otherwise they could not meet the losses when they occur.

This afternoon the Acting Minister of Finance was helpful in telling hon. members of the party to my left how they could evade taxation by getting rid of their assets, revolving them around and paying patronage dividends. But these companies cannot get rid of their assets; they have to keep them. Let us take an example, the Pictou county farm mutual which has a dominion charter. Its statement appears in full in the bluebook put out by the department which has to do with fire insurance. I find that the Pictou county farmers' mutual has about the same premium income as the Ontario companies have. This company considers it must have gross assets of at least $99,000, or practically $100,000. On the basis of the three per cent rule it would pay a cooperative tax on $3,000, or a corporation tax of $900. When we consider that their total expense for commissions is only $1,620, that their total fees, salaries, directors' fees, auditors' fees and everything else are only $1,583, the minister will see at once that a great burden will be placed on these companies if they are taxed. These companies do business which the old-line companies do not want; that is, these companies do business in small areas where they know the people and buildings, and do it cheaply, whereas the old-line companies would have to send out special assessors to look at the buildings and perhaps fix the rate in different cases. They are doing work which is essential, because the experience of the farmers in Ontario is that, once a building is burnt, it is difficult to have it rebuilt and the farm becomes practically abandoned. Instead of taxing these companies $900 a year, I would suggest that the government would be well advised to bonus them to the extent of $900.

Mr. ABBOTT: I shall be glad to take my hon. friend's remarks into consideration. As my hon. friend knows, many of these companies operate on a premium note basis and consequently do not need a reserve.

Mr. McMASTER: They may not get the money in fast enough; they must have a reserve.

Mr. HACKETT: A moment ago the minister referred to the Special War Revenue Act.

Mr. ABBOTT: We shall be coming to that resolution. I referred to it in replying to the hon. member.

Mr. HACKETT: Shall we be coming to it to-night?

Mr. ABBOTT: It is doubtful; I had not intended to.

Mr. HACKETT: Will the minister discuss it if it is reached to-night?

Mr. ABBOTT: Not the question which I think my hon. friend has in mind. That resolution is to stand to-night anyway.

Mr. BENTLEY: I should like to ask a question for information purposes, but I am not certain that this is the proper place. I cannot find the place in any of these four resolutions, although I think it must be here somewhere. If the minister will turn to page 45 of the McDougall report he will find a reference in paragraph 9 to the exemption from income tax of telephone services, distribution of electric power and medical and hospital services. Where are these items dealt with, or is it intended to deal with them?

Mr. ABBOTT: I do not know that this is the place to deal with them. They are not dealt with specifically particularly, because it was not desired to make a great many

exceptions in the legislation. I shall be prepared to discuss these when we come to the bill. I believe some are already covered in the act as it now stands. The income of any company, or commission, or association not less than ninety per cent of whose capital or stock is owned by a province or municipality is exempt. That would apply to some of them. That is section 4, paragraph (d) of the Income War Tax Act. If my hon. friend will let that question stand we can discuss it in more detail on the bill. I believe that most of these corporations he referred to are already exempt under the existing provisions of the act.

Resolution agreed to.

15. That for the 1947 and subsequent taxation years, there may be deducted for the purposes of this act, from the income of insurance companies, other than life insurance companies, whether mutual corporations or joint stock companies, amounts credited to policyholders by way of dividends or refund of premiums or of premium deposits and either

(a) paid to the policyholder,

(b) credited to the policyholder on account of premiums for renewal of policies or

(c) credited on terms under which the policyholder is entitled to or may obtain payment thereof within a period not exceeding thirty days after demand for payment by him and if notice of crediting on such terms has been given to the policyholder.

Resolution agreed to.

30. That a corporation or joint stock company shall pay a tax at one-half the ordinary rate of income tax for corporations upon income derived on or after January 1, 1947, from the operation of a mine:—

(a) that has come into production during the period commencing January 1, 1944, and ending December 31, 1949, and

(b) that, in the case of a mine that has come into production before January 1, 1946, is a basic metal or strategic mineral mine and in the case of a mine that has come into production after January 1, 1946, is a metalliferous or industrial mineral mine,

during the first three complete taxation years after the mine comes into production.

Mr. ABBOTT: In a moment I shall ask one of my colleagues to move an amendment to this resolution. Resolution 30 provides that new mines coming into production after January 1, 1947, shall not pay corporation income tax for the first three years. The amendment to the resolution which I shall ask to have proposed in a moment grants this complete exemption instead of the half rate called for in the resolution as it stands. This more generous provision is introduced in the light of the disappearance of the premium on United States funds which was announced recently. Paragraphs (a) and (b) of the resolution deal with the unexpired portion of the three-year period in the case of certain mines which came into production after January 1, 1944, and in respect of which exemption for excess profits taxes was granted. These mines will also be exempt from corporation income tax upon income derived on and after January 1, 1947.

Mr. McCANN: I move that:

Resolution 30 be amended by striking out the words "pay a tax of one-half" and substituting therefor "be exempt from."

Mr. SMITH (Calgary West): Where does that come in?

The CHAIRMAN: In the first line of the resolution.

Mr. ABBOTT: The resolution would then read:

That a corporation or joint stock company shall be exempt from the ordinary rate of income tax for corporations . . .

Mr. SMITH (Calgary West): I am not smart enough to follow this.

Mr. HACKETT: Shall be exempt from what?

Mr. ABBOTT: In colloquial language the provision is this. The original proposal was that new mines coming into production after the first day of January, 1947, would pay income tax at half rates for three years. The amendment now proposes that they will be completely exempt from income tax for three years. In other words, instead of paying half the rate they will pay no tax. In place of the words "pay a tax at one-half" we substitute the words "be exempt from".

Mr. MACDONNELL (Muskoka-Ontario): I wonder if this could stand for a moment. I believe the hon. member for York West will have something to say about it, and he will return to the chamber in a short time.

Mr. ABBOTT: I have no doubt some other hon. members may wish to offer some observations in the meantime.

Mr. SMITH (Calgary West): Will this provision apply to oil wells?

Mr. ABBOTT: No.

Mr. SMITH (Calgary West): Why not?

Mr. ABBOTT: We have other provisions applying to them.

Mr. SMITH (Calgary West): Surely an oil well is a mining operation, just the same as a gold mine.

Mr. ABBOTT: We have other legislation for oil wells, as my hon. friend knows. There are some resolutions included in these now before us, and I should be very happy to listen to the hon. member if he would make his observations on the appropriate resolution.

Mr. SMITH (Calgary West): I am anxious to know now if there are any similar amendments with respect to oil wells.

Mr. ABBOTT: No.

Mr. SMITH (Calgary West): As it is now proposed, it applies only to mines.

Mr. ABBOTT: There are no similar amendments.

Mr. SMITH (Calgary West): Then perhaps I may discuss this matter from the point of view of mining. An oil well is nothing but a mine. Why does the minister make a different provision for mines from that for oil wells?

Mr. ABBOTT: For obvious reasons we have to give tax relief to oil wells on a slightly different basis. I am told that the first three years of an oil well are generally the best, whereas in mining that is not generally so. Then there is the matter of the change in the exchange rate which has affected gold mining, but does not apply to oil wells.

Mr. SMITH (Calgary West): Oh, it affects them tremendously. But, leaving that aside—and perhaps, Mr. Chairman, I am out of order in discussing the matter at this time.

The CHAIRMAN: A discussion of the taxation of oil wells would more properly come under resolutions 31 and 32.

Mr. SMITH (Calgary West): May I, with the greatest deference and respect, agree with you that such discussion would be more appropriate on those items. But it seems to me germane to the point as to whether or not they are to be treated in a similar manner. Certainly the drilling of an oil well is mining, in the broad sense. While the minister exempts mines for three years—and I am not complaining—I would remind him that when one opens a mine he has some idea of what is underground. The drills work this way, that way and the other way, and ore bodies are proved. But in connection with the drilling of an oil well, the drill is the only geologist found thus far which has ever been any good, because what the drill finds controls whether you lose your money or whether you get back a return. Certainly the geologist has gone a long way. We have seismographs, and all that sort of thing. The most that the sponsors for these instruments have ever claimed for them is that they can find a structure. And, that structure, having been found, no method has yet shown whether the structure will contain salt-water or oil. No scientific method has yet been found which will determine that fact. Accordingly I suggest to the minister that by the time he reaches his resolution respecting oil, he should have some regard to the fact that both of these endeavours are mining endeavours, and that he might find some assistance for the people of Saskatchewan and Alberta who are so busy these days in trying to find oil.

Mr. ABBOTT: I shall not answer the hon. member's point at this time, because it will be dealt with more fully on resolution 31. I would point out to him, what he probably already knows, that under section 8 (10) of the Income War Tax Act a special 50 per cent tax credit is given to oil wells for deep drilling, and the like, and that there is no comparable exemption for the mining industry.

Mr. SMITH (Calgary West): With great respect I suggest that the acting minister is quite wrong about that. He has a special provision for deep-test wells, but no provision at all for the man who goes out in the province hon. members to my immediate left come from, and in the plains of Alberta where shallow-test drilling is found. The minister has nothing to help those people.

Let us always remember that great companies never discover oil fields. They have always been discovered by the small man who does some wild-catting, and those discoveries are later bought up by the big interests.

Mr. ABBOTT: There is a 20 per cent tax credit; it was 26⅔ per cent.

Mr. ADAMSON: I wish to refer to the minister's statement of last Friday evening, but I doubt whether this is the section upon which to do it. However, I have a suggestion to make to the minister on this resolution. The resolution as it is amended provides for exemption from ordinary income tax for the first three years for mining companies coming into production. My suggestion—and I believe it is an important one—is that most young mines coming into production are not profitable enough in the first three years to come under the provisions of the Income War Tax Act. Seldom do they make a profit in those years. But under the regulations of the department they are forced to make annual write-offs for both depreciation and depletion. The write-offs are at the rate of 15 per cent per annum. So that when the three years are up and the income tax payments begin, the pre-development charges, depreciation and depletion are written off to the extent of 45 per cent. I am speaking more to a ruling of the department than to an amendment in the section.

I am asking that new mines coming into production, and exempt from taxation, shall not be forced to undertake depletion and depreciation at the rate of 15 per cent per annum for the first three years. If that is done the minister will really bring into effect the meaning and intention of section 3. If that is not done it means that the mine has virtually 50 per cent of the depreciation written off when it should be in a tax-free period.

The intent of the regulation is that mines shall be tax free for the first three years. Therefore I am asking the minister to rule that this shall also include suspension of depreciation and other write-offs.

Mr. ABBOTT: My hon. friend will appreciate that that is a matter for the Minister of National Revenue in the administration of the income tax act.

Mr. ADAMSON: I am making this plea in this house because, unless that is done, the whole intent of this resolution will be abortive. Mines do not pay taxes in the first three years because very few of them make sufficient profit, although there is occasionally one that may. If you force them to make their write-offs at 15 per cent it means that when the three-year period is up their depreciation will be virtually 50 per cent gone, at a time when they begin their normal life of tax paying.

I realize that this is a matter for the Department of National Revenue, but I want to make the plea now, and I want to make it as strong as I possibly can, that they should not be forced to write off any part of their pre-development expenses, the cost of structures, the cost of the mill, the cost of sinking a shaft and all the other essential costs in bringing a mine into operation until such time as the first three years are up. I think that is the true intention of the framers of this resolution.

Mr. ABBOTT: As my hon. friend has pointed out, it is not a matter for legislation; it is a matter for administrative action on the part of the Minister of National Revenue.

Mr. COLDWELL: I think this proposal is an exceedingly generous contribution to the mining industry. I should like to put this point of view before the committee. A mine or an oil well taps the natural resources of Canada and those natural resources are the property of the people of Canada. When gold or some other mineral is taken out of a mine, nothing but a hole remains and the same thing applies to oil. I know of no industry in Canada which has been as wasteful of the natural resources of the people of Canada as the oil industry. One has only to go to the Turner valley in Alberta to see the amount of valuable gas which is being wasted, gas which could heat most of the homes in western Canada. He would then realize the valuable resources that have been wasted in that particular area.

It is always said that private enterprise is prepared to take risks, but it seems to me that much of the legislation we have adopted in this country over the last few years has been designed to take the risk away from private enterprise. To a great extent that is true of the legislation we have passed concerning the mining industry during the last number of years. Year by year we have extended to the mining industry valuable concessions in the way of being able to write off certain depreciation, to have allowances made for prospecting done, and now we come to a proposal which will give new mines complete exemption for three years. Where is the risk to capital in proportion to the rewards which they expect? If a rich mine is found the profits that accrue are out of all proportion to the amount of money invested in the undertaking.

Mr. BERTRAND (Laurier): How many mines do not find anything?

Mr. COLDWELL: It is quite true that a large number do not produce, but the individuals who go into the mining industry go into it with a view to getting large rewards. If they are going to get large rewards they should be prepared to take a commensurate risk.

Mr. LENNARD: There is not one in a thousand that makes anything.

Mr. COLDWELL: That is all very well, but during the past few years, from what I have been able to see, persons engaged in mining have done pretty well.

Mr. CASSELMAN: You have not heard about the losses.

Mr. COLDWELL: That is just like the old story about the widow and the orphans, always a loss but never a gain. The industries that are receiving this concession, mining and so on, bring about a terrific depletion of Canada's natural resources. Once these resources have been taken out of the ground, they are gone completely. Very often we find the people who have benefited from this kind of operation have no interest in Canada except the amount they can take out of Canada somewhere else.

Some hon. MEMBERS: Oh, oh.

Mr. COLDWELL: That is perfectly true. How about Sir Harry Oakes? How about Sir

Herbert Holt? How about a number of others I could mention? What interest had they in Canada except to take everything they could out of the country and go somewhere where they could get tax exemption and would have to pay no succession duties?

Mr. LENNARD: Only one or two people have done that.

Mr. ABBOTT: That may apply to Sir Harry Oakes, but it did not apply to Sir Herbert Holt. I am told by the deputy minister that it did not apply to Sir Harry Oakes either.

Mr. COLDWELL: Leave Sir Harry Oakes out of it entirely. The fact remains that these natural resources belong to the people of Canada. These persons are going to take those resources and use them for their own profit.

Mr. GIBSON (Comox-Alberni): They put in more than they take out.

Mr. COLDWELL: Do not tell me a story like that, that they put in more than they take out. The statement is an obvious absurdity. Many people are trying to get into the mining industry to-day. So far as I am concerned, I am opposed to this concession being made. Once the resources are taken out, there is nothing left but a hole in the ground, except that frequently there is also a ghost town. In many cases the workers who have done the work in the mining industry have had to leave and take a loss on the homes which they have built. Ghost towns dot many parts of this country, and these have been created by mining and other industries of that description which have squandered the natural resources of the country by private exploitation. I am just saying that I am opposed to this legislation.

Mr. HANSELL: While the hon. member was speaking, I picked up a paper which contained an interesting Canadian Press dispatch under date of July 27, from Moose Jaw. This reads:

> Resources minister J. L. Phelps of Saskatchewan yesterday told delegates to the C.C.F. provincial convention here that the Saskatchewan government is permitting private enterprise to develop northern oil resources because it does not feel ready to take the step itself. He said that the "government will move" at the proper time.
>
> The statement came at the closing session of the three-day convention when P. G. Makaroff of Saskatoon C.C.F. provincial council member, asked why a socialist government was permitting private enterprise to develop oil resources in Saskatchewan and to sell stock.

Mr. COLDWELL: The two cases are not analogous. In the first instance, the Saskatchewan government will get a royalty from the oil taken out of the ground.

Mr. LENNARD: That is all right, is it?

Mr. COLDWELL: In the second instance, we are proposing as a federal parliament to give complete exemption to the mining industry for three years. Those are two entirely different propositions. We are not opposed to private enterprise, but we demand that private enterprise shall take the risks if it takes the rewards. That is the point. Otherwise it is no longer private enterprise. But what you are trying to do is to remove the risk from private enterprise and to place upon the people of Canada the risks that private enterprise should assume if it is to take the profits for itself.

Mr. BURTON: While I realize that this resolution does not deal with oil and with what took place at the C.C.F. convention in Moose Jaw recently, I want to advise the hon. member for Macleod that, as usual, that press statement carried only half the story. I shall not take time to tell the whole story now.

Mr. MACDONNELL (Muskoka-Ontario): I should like to make one or two comments on what was said by the hon. member for Rosetown-Biggar. I quite agree that we should not take all the risk out of private enterprise, and if he will take the record of what happens in these various mines he will see that there is quite enough risk and loss left even if a certain concession is made at the outset. Before he commits himself against these alleviations granted to the mining industry, he might take into account one thing he did not mention. He talked of one or two or three people making a lot of money and then leaving the country, and when they do that my feelings are about the same as his. But he forgot to mention the people who do not make any money. He also forgot to mention another important factor, and that is the amount of labour that goes into these things, which is paid for before anybody makes a nickel out of the mines. He also forgot to mention that we have reasonably efficient income tax laws which take a very large amount of money away from the very few individuals who, after taking the risks, make a little money. Therefore I suggest that his speech was based on unsound premises.

Mr. HARKNESS: The hon member for Rosetown-Biggar introduced the matter of exploration for oil in this country, and he made some disparaging remarks about the terrific waste which had gone on in Alberta and which was going on there now, he said. His remarks indicated a deplorable lack of knowledge of the history of the search for oil

in Alberta and a lack of understanding of the oil situation as it exists at the present time. There is no tremendous amount of waste of gas going on in Alberta, particularly in the Turner valley, now and has not been for many years.

Mr. COLDWELL: For how many?

Mr. HARKNESS: For a number of years. I would not be prepared to say just how many, but conservation measures have been taken there for at least the past ten years.

Mr. COLDWELL: After twenty-five years of waste.

Mr. HARKNESS: The hon. member's statement was as to what was going on now. Following that up, I might point out to the hon. member that had what he thinks should have been done been done, if the oil wells drilled in Turner valley when the field was entirely a wet gas producer had been capped, we would have produced no oil in that country whatever, and the result would have been that the taxpayers of this dominion would have been called upon to pay a bill of some $7,000,000 more in subsidies last year for the prairie provinces alone, let alone the tremendous value that has come from the development of oil in that province. Furthermore, he seems to think that all a man has to do is to drill a mine or an oil well and reap a fortune. Over $150,000,000 of risk capital has been put up to drill oil wells in Alberta and up to date there have been returns of less than $130,000,000. There have been losses of between $20,000,000 and $25,000,000 to the enterprisers who put up the money to bring oil into production. Possibly he thinks it would have been an excellent thing for the Alberta government or the dominion government to do this oil exploration under government ownership and take that loss. My answer is that they never would have done so and there would have been no oil development if it had been left to governments. Unless private enterprise is given encouragement through proper taxation to go ahead and develop the industry, it will not develop.

Mr. ZAPLITNY: This resolution contains what I was trying to secure under resolution 16. In other words, the tax exemption applies to mines that have come into production during the period commencing January 1, 1944, and ending December 31, 1949, which means that a mine coming into operation in 1944, 1945 or 1946 will have a three-year exemption. That privilege is not extended in the case of the cooperatives. I withdrew my amendment at that time because I felt that the minister had given us an undertaking that he would give the matter consideration. I am pointing this out as a further argument to those I used on resolution 16. In the case of these mines there is an exemption granted which may be considered as being retroactive. The minister made quite a case by saying that we should legislate for 1947 and subsequent years, but in this case we are legislating for as far back as 1944. I am not asking for special privileges but for something along this line under resolution 16.

Mr. ABBOTT: The answer to that is that paragraphs (a) and (b) of this resolution simply carry forward an existing exemption which these companies had from excess profits tax in connection with mines which came into production after January, 1944. We are simply continuing that exemption from the excess profits tax.

Mr. ZAPLITNY: I do not know that we understand each other. All I am asking is that the same consideration be given to existing cooperatives which started this year or in 1945 or 1944. I think the cases are parallel.

I was interested in hearing, as I always am, what the hon. member for Muskoka-Ontario had to say. He said that the hon. member for Rosetown-Biggar did not mention the part that labour played in the development of mines. I do not think he was quite correct, because my leader did make reference to the fact that it was the labourer who produced the wealth which he does not always share. If this exemption from income tax also included the man who works in the mines for the first three years, it would have my support.

Mr. LENNARD: I would remind the hon. member for Rosetown-Biggar that to keep one man working underground in the mines in southern Canada eight men are employed outside the mine.

Mr. JACKMAN: I was interested in hearing the leader of the C.C.F. say that more money was taken out of the mines than was ever put into them. That statement of his seemed to draw a lot of support from his followers. I am glad that he has such an optimistic impression of the mining industry, particularly the gold-mining industry. I hope, on behalf of himself and his followers, that his optimism is born of personal experience, because so far as gold-mining is concerned it is much too rich for my blood. It is too risky an enterprise, and I will leave it to younger and more enterprising individuals.

Mr. LENNARD: Why look at me?

Mr. JACKMAN: I should be interested if the hon. member who is the leader of the

C.C.F. has any figures to demonstrate that far more has been taken out of the ground than has been put into it. I well recall Mark Twain's definition of a mine, "A hole in the ground in which fools throw their money." However, the hon. member may have figures for us. But I think the hon. member for Rosetown-Biggar's quarrel is not with lack of enterprise on the part of private individuals, but with the niggardliness of mother nature, who saw fit to deposit gold in very small quantities in very few places in the world. I not only support the recommendation of the government to grant some tax exemption to these new mines which are now being drilled and which are expected to come in, but I also support the admirable recommendation of my colleague the hon. member for York West for further relief. I do that because I recognize, and if the hon. member for Rosetown-Biggar will be practical and forget his theory he will see, if he has taken the trouble to acquire any knowledge of the facts which now face us, that there is a whole field of gold-bearing rock structure, particularly in the province of Quebec, which is not commercial ore except with the ten per cent premium which golds formerly commanded in terms of Canadian currency, namely $38.50 per ounce as against $35; and if the premium is not available, as is the case to-day, a great many mines which were scheduled to go into production will not be in conjunction with that of his colleague, the able to do so.

It is not a question of whether there is sufficient venturesome money around; it is simply a question of looking at the assay values of the gold-bearing rock and knowing that it is going to turn out so much per ton. It is perfectly foolish to continue to develop that property if you are not going to get back a dollar for the dollar you put in. There must be at least an honest return in that way: otherwish we would be wasting the assets of the country.

The government now sees fit to give these mines on the borderline—and it may apply to the occasional rich mine; I do not know, but the great problem in Canada to-day is the majority of new mines in the Quebec mining area, which badly need it—this alleviation from taxation which the Minister has indicated in the present resolution. However, I should also like to endorse as strongly as I can the sentiments expressed by the hon. member for York West, and say that much of this advantage which the government proposes in the resolution will be lost because the new mines will have a substantial proportion of their pre-development costs and of their mine structural costs—I am not familiar with the exact terminology of the mining industry—written off compulsorily when they are supposed to be getting three years relief, and perhaps when they have not even profits of any sort from their operations against which to write off the depreciation and depletion costs. In those circumstances, I believe the resolution of the minister is certainly abortive and is nullified by the working of the Department of National Revenue. I hope that the minister's department, Minister of National Revenue, will take these two considerations under advisement, in the interest of these marginal mines, which will either pass out of the picture, or will live, because some relief is given to them, in hope of better times to come. There will then be a chance for this large mining field in Canada to continue to operate.

Mr. GREEN: There is one thought I should like to leave with the acting minister about the remarks which were made by the leader of the C.C.F., the hon. member for Rosetown-Biggar. I do not question for a minute that he was sincere in what he said, but the unfortunate result of a speech like that is this, that when the Department of Finance comes to consider assistance for mines in the years that lie ahead, or even in this session, the thought is apt to arise at once, "Oh, well, some of the members of the house are against any help being given; they think the miners are all big fellows and should not get any help; we had better just go slow about giving this relief. The whole of the C.C.F. are against it. We had better let it ride for another year." The result may very well be that relief will not be given that should be given.

The remarks of the leader of the C.C.F. stem, I am afraid, from the fact that he does not know anything about mining. He comes from a wheat-growing province, Saskatchewan, and his remarks are entirely out of line with the needs of British Columbia. My province is a great mining province. I think that, next to lumbering, mining is our most important industry. I was born in a mining town and raised in a mining district. It was not a case of half a dozen men coming in and making a lot of money and then getting out; everybody in the whole district was interested in mining; nearly everybody had a claim and expected at some time to make forty, fifty, a hundred thousand dollars or perhaps a million. Storekeepers financed prospectors, and many of the prospectors made good. From my own experience, these prospectors were the backbone of that district. Prospectors have opened up large parts of British Columbia; they have made a great contribution to that province. The unfortunate position to-

day is that the prospectors are practically all gone. And here we have the leader of the C.C.F. rising in his place to-night and complaining about help being given to prospectors.

Mr. COLDWELL: Prospecting.

Mr. GREEN: Oh, well, "prospecting". Prospecting is done by individual prospectors. Somebody has to put a pack on his back, go out in the hills and try to find a new mine. Very few new mines are being found in Canada. That is the alarming fact in connection with our mining industry. So I say to the minister, don't just be led up the garden path—

Mr. ABBOTT: Oh, I won't.

Mr. GREEN:—by the leader of the C.C.F.

Mr. ABBOTT: Not by the C.C.F. My hon. friend may rest assured that we shall be on our guard.

Mr. GREEN: The relief given in this resolution is needed. It will be of help to the mining industry and that industry deserves all the help it can get.

Mr. MacINNIS: I hesitate about taking part in a discussion of this kind when there are so many experts.

Mr. LENNARD: Oh, not that business again!

Mr. MacINNIS: I was not referring—

Mr. LENNARD: Every time you rise you take that line.

Mr. MacINNIS: I was not referring to the hon. member for Wentworth. There is something strange in the arguments which I heard to-night. If I understand aright what was said, no one makes money in mining; everyone who goes into it takes a loss. That is the argument.

Some hon. MEMBERS: No.

Mr. MacINNIS: That is the argument that was made—that there was more money put in than was ever taken out.

Mr. BERTRAND (Laurier): The argument is that more people are losing than are gaining.

Mr. MacINNIS: That is right—that there was more money put in mines than was taken out.

Mr. BERTRAND (Laurier): Not money; more people lose.

Mr. JACKMAN: I asked you to prove the contrary; that is all.

Mr. MacINNIS: I took down the remarks of the hon. member for Rosedale. He said it would be perfectly foolish to go on if we did not get a dollar back for every dollar we put in. Surely it would be perfectly foolish, and soon even my hon. friends, who are so enterprising that they are willing to venture everything, would not carry on very long. It would be foolish even if we got a dollar in return for every dollar invested or ventured. Consequently somebody must be getting more than a dollar's return for every dollar that goes in. But what is happening in this country is that people who cannot afford it are putting money into mines.

An hon. MEMBER: What about the horse races?

Mr. MacINNIS: If the hon. gentleman wishes to play the horses, that is his business. I did not know that was a particularly good business, and I am interested in good business. The people who buy mining stock, the great majority of those who put their money into mines, do not derive the benefits from it. The big fellows do not lose, and if you observe what is going on in Ontario to-day under the security commissioner—I believe that is his title—you will find that many of these men are being prosecuted for fleecing innocent people in this sort of thing.

I am not opposed to the principle of what is proposed here, but it should be done properly. The minerals of Canada are the property of the people of Canada. They are a Canadian asset. A mine is different from a forest or a river or the sea from which we get our fish. Once you have taken the mineral out of the mine there is nothing left.

An hon. MEMBER: You could take all the fish out.

Mr. MacINNIS: No. There would still be suckers left no matter what you did. What should be done—and some government, some day before the mines are depleted will do it, I hope—is to see that the people of Canada as a whole, and not only those who put money into mines shall derive some advantage from these national assets. The miners themselves have an interest in them. What has happened? The member for Vancouver South said that he was brought up in a mining town, but there is not much mining there now. There are heaps of slag and holes in the ground and lots of dead towns in British Columbia all over the province.

Mr. GREEN: Oh, no; they are not all over the province.

Mr. MacINNIS: They are all over the province except that part of the province that is not habitable. I have gone all over the province and I know what it is like. What happens is this. The mines are worked out,

and the people who have settled in those localities find themselves without means to make a living. The result is that they have to move and start life anew somewhere else. What a responsible government should do is to take a part of the profits of the mine and a part of the proceeds of taxation that is levied on the mines and set up a fund, so that when a particular area is worked out the workers who have made their homes there can be removed to new areas where new work is starting up.

Besides that, there is, around these mines, land that can be used for other purposes. There are some agricultural lands that could be developed at the same time. Nothing is done, however, except to take out everything that is in the ground and then to clear out. That is pretty much the case so far as the forests of British Columbia are concerned. It is only within the last few years that, after great pressure, sometimes from the government's forest service employees, who each year drew attention to what was happening to the resources of the province, some action has been taken. Whether it is soon enough to catch up with the spoliation of our resources is a question which no one can answer at the present time. This sort of thing, done in a hit-or-miss fashion to help a few speculators, is not good enough. We should have a programme extended over a number of years that would be beneficial not only to those who are getting money, by hook or by crook, from people who are so innocent that they will put their money on the horses or in a mine—

Mr. JACKMAN: Or even on the C.C.F.

Mr. MacINNIS: Oh, no. These people do not put money on the C.C.F. Those who put money on the C.C.F. are people with intelligence who want something for the future. Some day they will get a return, and it will not be a depleted mine.

Mr. LENNARD: The hon. member for Vancouver East made a remark to the effect that I was not expert in anything. Let me assure him that I have never posed as an expert in anything, but I will say this. Those hon. gentlemen who sit directly to my left profess to be experts on everything under the sun, but I would remind them that those who live in glass houses should be the last to throw stones.

Mr. LITTLE: I have lived in a mining district for the past thirty-five years and have seen prospectors going out prospecting. I knew Sir Harry Oakes when he was a poor man like the rest of us in that part of the country, and I know he was one of the best prospectors we had. I do not, therefore, like to hear anyone say things about a man who has gone. I have no brief for him in having left the country, but I can say that there was no finer man than he when he was plain Harry Oakes.

In my opinion, we would not have had a mine in Cobalt or Noranda or Kirkland Lake or Timmins if any government had been developing those properties, let alone my hon. friends opposite who profess to know so much about mines. I have seen men, prospectors, leaving and staying away for six weeks at a time, and when a prospector comes back one would hardly know that it was the same man. That was the effect that his sojourn in the bush had had upon him.

Of course there is the motivating idea of making money. That was the idea that I had when I first went to that part of the country. I went into lumbering and remained in it until I went to Kirkland Lake and got into transportation. I put up the first building in Cobalt and I know what these mining men went through. I should like my hon. friends to start mining, going into a place and spending thousands of dollars in a hole and not getting a cent out of it. See how long they would stay in power under those conditions.

Mr. ADAMSON: I wish to congratulate the hon. member for Timiskaming on what he has said. He has shown something of the pioneering spirit that has made this country what it is to-day, and it is to be devoutly hoped that that spirit will not be killed in this chamber.

I wish to put on the record some figures in answer to the contention that labour and other people in general get no benefits out of mines. The figures I am going to put on the record will show that labour and the town do profit from the mines. In the first place, there is an entirely wrong impression about the development of mining. A ton of rock is absolutely of no value to the country unless it is developed. If it is developed it is worth to the country in new wealth the minerals it contains.

Briefly, I should like to put these figures on the record, because I think they are germane to the argument we have had to-night. These are the official figures compiled by the department of mines of Quebec for all the mines in western Quebec for 1944. The average value of a ton of ore was $6.35. This was at $38.50 an ounce for gold. The cost of developing was as follows: general development, 57 cents; development, 74 cents; mining, $2.32, and milling, 93 cents, making a total of $4.56 for direct mining costs. That figure of $4.56

represents very largely the cost of labour. Therefore, out of the $6.35, labour got the bulk of the $4.56 which went for direct mining and milling costs.

Let us get down to cases. Let us look at the profit which all these mines made. The earned surplus of all these mines after taxation was sixty-two cents a ton. The country was better off to the extent of $6.35. Labour got $4.56, or very nearly $4.56. The cost of steel and powder and other things are there, but the great bulk of the cost of mining and milling is labour. Therefore labour got many, many times more out of the $6.35 than did the owners of the property. Surely it is of tremendous advantage to this country that this sort of thing should go on. It is of advantage to labour, because labour gets the bulk of the value of the ore. It is of advantage to the country, because the country is $6.35 richer for every ton of ore that is treated, and there are a great many other advantages as well.

I merely wish to refute as definitely as I can that it is the rich man and the rich company that make the profit. The cost of mining was $4.56, and the profit, sixty-two cents. These are the figures and I think they should be on the record in this debate. That was at $38.50 an ounce for gold.

Amendment agreed to.

Resolution as amended agreed to on division.

31. That the deductions from tax allowed to a corporation whose principal business is the production, refining or marketing of petroleum or petroleum products in respect of drilling and exploration costs be extended to oil wells spudded during the year 1947 and the deepening of oil wells which is commenced in 1947 but that in respect of such wells the deductions be reduced from 26⅔ per cent and 40 per cent of the cost to 20 per cent and 30 per cent respectively.

Mr. ABBOTT: With respect to resolutions 31 to 35 inclusive, the tax credits now granted to petroleum, natural gas and mining industries, in respect of exploration expenses are continued for another year with an appropriate adjustment in the reduction of the flat rate tax on corporation income from forty per cent to thirty per cent. Also under resolution 31, the existing tax credit granted for expenditures in regard to a new oil well is extended to include expenditures incurred in the deepening of an existing well.

Mr. HARKNESS: In connection with resolutions 31, 32, 33 and 35, which are the ones which deal with oil, gas drilling and exploration. I do not wish to repeat what I said in the budget debate, with reference to these matters. However, I should like to draw to the minister's attention the five suggestions which I made at that time and to ask him what action the government is prepared to take in connection with them.

So far as the oil industry is concerned, I have been cheered by some of the concessions which the minister has made to the cooperatives and to the mining business since the budget resolutions have been discussed. I was particularly interested in his announcement that, so far as the gold mines were concerned, the depletion allowance was to be changed so that, as he said, those who need help least will not get most. I strongly recommend to him that he change the regulations so far as the depletion allowance for oil wells is concerned, with that same idea in mind.

The other concession given to gold mines is that new mines would pay no income tax for the first two years of operation. In a modified form that might very well be applied to the oil business. As the minister has said earlier this evening, the first three years of an oil well's operations are its most profitable ones. That is quite true; nevertheless a concession which will accomplish much the same effect should be given to oil wells to encourage further drilling.

The five suggestions which I made when I spoke in the budget debate were as follows: First, the extension of the fifty per cent tax drawback for deep-test wells, to completing abandoned exploratory wells. Whether that is covered in the present regulations, I do not know. I hope the minister will clarify that and afford the extension of that fifty per cent drawback to wells drilled in the plains areas, where it is practically essential to have a large amount of drilling if we are to keep up our present oil production in Canada, let alone expand it. Second, an increase in the depletion allowance from the present 33⅓ per cent to 50 per cent, with probably a regulation in connection with it similar to the one they have in the United States, so that it can be spread over several years and carried forward or backward as desired in order to take care of years in which there is no profit, and other years in which there might be a big one. Third, that all drilling costs, permit and leasing expenses, geological and geophysical expenses and so forth be allowed as deductions for income tax purposes and that these deductions be taken as and when desired. That is, they may be carried forward or backward. Fourth, that the present income tax regulations in connection with oil and gas wells be made part of the permanent tax structure in order that operators may be able to make future financial plans knowing where they stand. Fifth, removal of the subsidies now being paid on

crude oil being imported into the prairie provinces in order to enable western crude oil to reach its true economic level. If the minister would make a statement covering these points we might have a good basis on which to proceed.

Resolution stands.

Progress reported.

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

Wednesday, July 31, 1946.

The house met at eleven o'clock.

STANDING COMMITTEES

Second report of standing committee on external affairs—Mr. Bradette.

INDUSTRIAL RELATIONS—CHANGE IN PERSONNEL

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs) moved:

That the name of Mr. Bourget be substituted for that of Mr. Gingues on the standing committee on industrial relations.

Motion agreed to.

PRIVATE BILLS

FIRST READINGS—SENATE BILLS

Bill No. 337, for the relief of Marie-Jeanne-Augusta Clement Lajeunesse. Mr. Maybank.

Bill No. 338, for the relief of Jeanne D'Arc Guilmette Henchey. Mr. MacLean.

Bill No. 339, for the relief of James Arthur Bellows. Mr. Maybank.

Bill No. 340, for the relief of Charles Howard Alexander. Mr. MacLean.

Bill No. 341, for the relief of Alfred Wade. Mr. MacLean.

Bill No. 342, for the relief of Inga Mary Frances Kitching. Mr. Boucher.

Bill No. 343, for the relief of Harold Clayton Webb Clout. Mr. Maybank.

Bill No. 344, for the relief of Phyllis Thorburn Rice Colby. Mr. Maybank.

FARM IMPLEMENTS

SHORTAGE IN WESTERN CANADA—MOTION FOR ADJOURNMENT UNDER STANDING ORDER 31

Mr. P. E. WRIGHT (Melfort): Mr. Speaker I ask leave to move the adjournment of the house to discuss a matter of urgent public importance, namely, the serious situation in western Canada with respect to the shortage of suitable farm machinery for the harvesting of the present large crop, due largely to the policy of the government in having, during the year 1945, issued export and reexport permits for 20·2 million dollars' worth of Canada's total production of 46·4 million dollars' worth of farm machinery during that year; and having, during the first six months of 1946 issued export permits for $16,382,400 worth of farm machinery, and having during the first five months of 1946 issued export permits for $4,319,626 worth of reaper-threshers—

Mr. SPEAKER: Order. The hon. gentleman has not the right to make these remarks on his motion.

Mr. WRIGHT: Mr. Speaker, am I not allowed to state the reasons why this matter is urgent?

Mr. SPEAKER: It is not the practice in presenting a motion for adjournment under standing order 31 to discuss the reasons for the motion at this stage of the proceedings.

Mr. WRIGHT: I do not wish to discuss the matter at this moment. I merely wish to put before you, Mr. Speaker, certain facts which will permit you to decide whether the situation is urgent.

Mr. SPEAKER: I would ask the hon. gentleman to put his motion before the house without any criticism. If it is adopted he will then have the opportunity in the debate to say whatever he has to say as long as it is relevant to the motion.

Mr. WRIGHT: I will comply with your wishes, Mr. Speaker. I have just returned from western Canada and I found there a very serious situation with respect to the shortage of farm machinery. I ask leave to move the adjournment of the house to discuss a matter of urgent public importance, namely, the serious situation in western Canada with respect to the shortage of suitable farm machinery for the harvesting of the present large crop.

Mr. SPEAKER: Is it the pleasure of the house that the hon. member shall have leave so to move?

Some hon. MEMBERS: Yes.

Some hon. MEMBERS: No.

And more than twenty members having risen:

Mr. WRIGHT: Thank you, Mr. Speaker. As I stated when I first rose, I have just returned from western Canada, where I found a very serious situation with respect to farm

machinery for harvesting our present crop. I interviewed a large number of farm machine agents while out there, and found that practically all of them have orders for from one to twenty pieces of farm equipment which they cannot supply at the present time. This is a serious situation in view of the fact that we have a prospective crop of approximately 450,000,000 bushels of wheat coming forward in western Canada—wheat that is urgently needed throughout the whole world.

This situation has arisen because of certain actions of this government. We have heard a lot of discussion of the causes of this serious shortage. We have heard members of the government say and have read in the press throughout Canada that this farm machinery shortage is the result of a shortage of steel, a shortage of pig iron, and various other causes. But in my opinion these are not the real reasons for the present shortage. As I started to say when you called me to order, Mr. Speaker, the shortage is owing mainly to the policy of the government in having during the year 1945 issued export and reexport permits for 20·2 million dollars' worth of Canada's total production of 46·4 million dollars' worth of farm machinery during that year, and having during the first six months of 1946 issued export permits for $16,382,400 worth of farm machinery, and having during the first five months of 1946 issued export permits for $4,319,626 worth of reaper-threshers, of which $2,395,318 worth have been exported to the United States, in consequence of which the present serious situation exists.

Some four weeks ago I received a letter from a returned man in my constituency. While serving overseas for four years his father died and left him a section of land, which he returned to farm. He stated in his letter that he wanted nothing from the government, that all he wanted was the opportunity to buy sufficient farm equipment to do a proper job on that land. He needed a new plough, and asked me if I could get for him a priority for the purchase of it. I was unable to do so. The only thing he could do was to take a loan from the Veterans Land Act administration, thereby obtaining a priority. He did that, but the type of plough he wanted was not available. He wanted a larger type of implement than the Veterans Land Act administration had available for him.

In spite of the fact that this machinery was not available to this veteran we exported from Canada in the first five months in 1945 $2,251,960 worth of disc ploughs, ploughs and plough parts, to the following countries: Belgium, Costa Rica, French Africa, Greece, Mexico, Morocco, Peru, Dominican Republic, Eire, United Kingdom, Syria, British East Africa, British South Africa, Southern Rhodesia, British India, British Guiana, Jamaica, British West Indies, Newfoundland, Australia, New Zealand—it sounds like a lesson in geography—Argentina, Belgian Congo, Brazil, Chile, Colombia, Czechoslovakia, Denmark, France, Iceland, Italy, Mexico, The Netherlands, Paraguay, Poland, San Salvador, Santa Domingo, Sweden, Turkey, Uruguay, Venezuela, Yugoslavia, and the United States. Yet we could not supply our own returned men, who have been overseas fighting for this country for the last four years, with the implements of production when they return to this country. I say that is a serious situation, one which this government should be prepared to face.

Why should the government issue to our machine companies permits to export machinery to every country in the world, or practically every country? As a matter of fact I have the list of exports for 1945, which shows that we exported farm machinery to seventy-one countries. I was alarmed at this situation, and I placed certain questions on the order paper with respect to this matter. Not only that, but I asked on the orders of the day on June 20 of this year—*Hansard*, page 2659 the following question, which was directed to the Minister of Finance or the Minister of Trade and Commerce:

> Is the minister aware that there are pools of farm machinery in western Canada and that the machinery is being held and not distributed? Is he aware that this machinery is urgently needed by veterans? In view of the fact that in some cases it is proposed to reship this machinery back to the United States, will the minister make the necessary inquiries and issue the necessary orders to see that this machinery is distributed in Canada and not sent back to the United States?

I received the following answer to my question:

> The wartime prices and trade board say that the only "pools" of farm machinery in western Canada are Veterans Land Act pools. No farm machinery is being exported to U.S.A. which can be used in Canada.

Note that sentence.

> Export is controlled by the administrator of farm machinery, wartime prices and trade board.

In view of the facts which I have just placed before you, that in reaper, harvesters or combines alone in the first five months of this year we have exported $4,220,148 worth, urgently needed in western Canada, and that we have exported to the United States in that same five months $2,395,318 worth—

Mr. ABBOTT: How much did we import from the States?

Mr. WRIGHT: We have imported from the United States $1,392,760 worth, or approximately one million dollars' worth less than we have exported. I want to be fair about this: we have imported from the United States much more farm machinery than we have exported; in fact than we have exported to all the rest of the world, but that does not alter the fact that we have produced a lot of farm machinery in Canada and have exported approximately forty per cent of it to almost every other country in the world, in face of urgent need of machinery right here in Canada to harvest our present crop.

Mr. ABBOTT: What about other countries which need to grow food to feed themselves?

Mr. WRIGHT: Yes, there are some other countries which need to grow food; but we are exporting to Brazil, Argentina, Spain, Costa Rica,—

Mr. ABBOTT: How much to the Argentine?

Mr. WRIGHT: And to practically every country in the world.

Mr. ABBOTT: How much to the Argentine?

Mr. WRIGHT: We are exporting machinery to build up agriculture in these countries to enter world markets in competition with Canadian agriculture in the next two or three years.

Mr. ABBOTT: It is a pretty selfish argument that my hon. firend is making.

Mr. WRIGHT: The government's policy is a shortsighted policy. We should at least supply our own veterans and our own farmers with the machinery they require. I am not against exporting. Let nobody in this house try to interpret my remarks as opposition to the exporting of farm machinery once we have supplied the needs of our own farmers. But the needs of our veterans and of our farmers should be the first consideration and the first charge on the production of this country, not the obtaining of a market in some foreign country because owing to prevailing exchange rates our manufacturers are able to get a better price for their machinery in those countries than they can get from Canadian farmers.

That is the position we are in to-day in Canada. This government is prepared to back the people who are out to make money through the export market at this time, irrespective of the needs of the Canadian people. And this applies not only to farm machinery but to a lot of other commodities as well. If I were to quote statistics of exports in the first five months of this year as contained in this publication before me, with regard to the sale of other articles, you would find the same condition existing.

Mr. ABBOTT: You might quote exports of wheat too, while you are at it.

Mr. WRIGHT: If the minister will just hold his remarks he will have plenty of opportunity to reply to me.

Mr. TUCKER: Will the hon. gentleman permit a question?

Mr. WRIGHT: I wish, Mr. Speaker, to continue my remarks.

Mr. TUCKER: Mr. Speaker—

An hon. MEMBER: Sit down.

Mr. TUCKER: Is the hon. member afraid to answer questions which are put in order to get information? I wondered if the hon. gentleman had the figures for imports of farm machinery into Canada in the same period.

Mr. WRIGHT: Yes, I have imports and exports. I will give them before I sit down.

Mr. TUCKER: Do the imports not exceed the exports?

An hon. MEMBER: Sit down.

Mr. WRIGHT: The hon. member has not yet gone back to Saskatchewan; he cannot override me.

Mr. TUCKER: Do the imports not exceed the exports? You cannot have it both ways.

Mr. MACKENZIE: It is a fair question.

Mr. SPEAKER: Order. I would call the attention of hon. members to the fact that when an hon. member has the floor he should not be interrupted without his permission.

Mr. REID: We are all having a good time, anyway.

Mr. WRIGHT: Thank you, Mr. Speaker. I am prepared to answer any reasonable question.

Mr. TUCKER: Is that not reasonable?

Mr. WRIGHT: But I should like to complete my argument first, and then if there are any questions I shall be quite prepared to answer them.

Mr. MACKENZIE: That is no argument.

Mr. WRIGHT: I have plenty of figures here to justify everything I am saying. I have the import as well as the export figures. When

I placed my question on the order paper with respect to this matter I asked that the imports and exports be given for all farm machinery and farm equipment imported to or exported from Canada, the amounts, the cost, and the countries with which the business was done. I was told here in the house that this would require the work of three stenographers, probably for a week, and would fill several pages of *Hansard*, and I was asked to withdraw my question. The department very kindly sent certain information to my desk in my room; from that information I have compiled a table, and with your permission and the permission of the house, Mr. Speaker, I should like to have this placed on *Hansard*.

Mr. REID: No; it should be read.

Mr. McCANN: Read it.

Mr. SPEAKER: Has the hon. member the unanimous consent of the house to place it on *Hansard*?

Some hon. MEMBERS: No.

Mr. MACKENZIE: Read it.

Mr. WRIGHT: It is quite a table.

Mr. McCANN: You wanted to use it.

Mr. ABBOTT: You are a good reader; go ahead.

Mr. COLDWELL: Don't take up your time. One of the rest of us will read it.

Mr. WRIGHT: I can leave it to be dealt with by some of the other members of this group.

Mr. REID: Good.

Mr. COLDWELL: We will put it on record.

Mr. WRIGHT: But I should like to read this table, and I am going to read it. It is not long; it is a record of the exports of farm machinery from Canada during the six-month period ending June 30 in each year, from 1935 to 1946.

Mr. MacKINNON: Is the hon. member reading from an official document?

Mr. WRIGHT: I am quoting from a document which is headed "Dominion Bureau of Statistics, External Trade Branch, July 13, 1946."

Mr. MacKINNON: I just want to make it clear that the hon. member is reading from an actual table prepared by the bureau of statistics and not from a summary made by him.

Mr. WRIGHT: I am reading from a table prepared by the bureau of statistics and sent to my desk. It shows that between January 1 and June 30, in the years indicated, we exported the following quantities of farm machinery:

1935	.....	$2,760,603
1936	.....	3,220,973
1937	.....	4,386,083
1938	.....	5,279,262
1939	(the first year before the war)	3,419,144
1940	.....	5,055,914
1941	.....	6,433,256
1942	.....	5,297,175
1943	.....	5,676,845
1944	.....	7,022,256
1945	(the first year after the war)	10,082,578
1946	(first six months).....	16,382,400

That was four times the amount exported in a similar period in the first year before the war, and yet we cannot obtain farm machinery in the west. We cannot settle veterans on the land because of the lack of machinery. There is something radically wrong with such a situation, and I plead with the government to do something about it. We have not much time now. In only a month we shall be in the midst of harvest in the west, and we need that equipment now. I urge upon the government that they take immediate action to see that these requirements are met in western Canada.

As I said before, I do not wish to be interpreted as being opposed to the obtaining of suitable foreign markets for any of our surplus Canadian products when they are not needed for our own consumption; but where they are needed for our own use, then I say that we should supply our home market first.

Hon. members were asking about our imports of farm machinery. They are very large.

Mr. ABBOTT: I will say they are.

Mr. WRIGHT: Our total imports of farm machinery in 1945 were $50,435,476, and our imports from the United States in the same year were $50,128,617. These are large imports, but that does not alter the fact that we are exporting machinery which we need in this country.

Mr. ABBOTT: You cannot import without exporting. Trade is a two-way street.

Mr. WRIGHT: The same should apply to all our products. That principle should apply all along the line.

Mr. TUCKER: Does the hon. gentleman suggest that we should stop exporting machinery? I note there is no desire to have the question answered, but it is a fair one.

Some hon. MEMBERS: Order.

Mr. TUCKER: I should like to ask the hon. gentleman a question.

Some hon. MEMBERS: Order.

Some hon. MEMBERS: Sit down.

Mr. WRIGHT: I shall be pleased to answer any question—

Mr. TUCKER: Will the hon. member permit a question?

Some hon. MEMBERS: No.

Mr. TUCKER: Does the hon. gentleman suggest—

Some hon. MEMBERS: Order.

Mr. ABBOTT: No questions.

An hon. MEMBER: That is socialism.

Mr. ROSS (Souris): They are assuming the government's attitude now.

Mr. WRIGHT: I do not know why our worthy friends are so much alarmed—

Mr. TUCKER: We are anxious to get the truth.

Mr. WRIGHT: —but I suppose I am treading on their toes. I am prepared to answer questions—

Mr. MACKENZIE: The hon. member was asking a fair question.

Mr. WRIGHT: —in an orderly manner, when I have completed my remarks; but not until then. We have large imports of farm machinery, but at the same time we are exporting needed equipment, equipment which we require on our own farms, and we should first meet the needs of our veterans and of our own farmers. When that is done, then we can export all that we can spare. Let us obtain all the markets we can for all the equipment we can manufacture in the country, after we have supplied our own needs.

Mr. JEAN-FRANÇOIS POULIOT (Témiscouata): If the minister will permit me, before he replies I have a few words to add to what has been said.

The farmers of eastern Quebec have great difficulty in securing agricultural implements from War Assets Corporation, and there is one thing that surprised me when the Minister of Trade and Commerce gave information about Canadian trucks being delivered by UNRRA to other countries, and that is that we are still at war with Finland. Finland is an enemy country, and our farmers need trucks very badly. How is it that through UNRRA 500 Canadian trucks have been given away to Finland, an enemy country, while our farmers need them so badly? This is one thing that struck me. It is that spirit of internationalism, which I have denounced bitterly, that runs everything in this country. I should like to have the production of trucks under the control of the Minister of Reconstruction, and he should also have the delivery under him so that Canadians would be served before the enemy. The minister is all right, and he alone should have both controls. The consul of a minor country has more influence than all the members of parliament put together in regard to the disposal of our own property.

Canadian citizens have a mortgage on the production of this country; Canadians should be first served, and if something is left over then we shall be able to serve others. We speak about housing; if housing is far behind it is because many men have not the trucks they need to carry lumber to the mills and the manufactured product to the consumer. These trucks are indispensable. We need them very badly, and yet we send them to an enemy country. Then we speak of the sovereignty of Canada; we speak of Canada being an autonomous country. We are run by Stalin, Bevin, Byrnes, Chiang Kai-shek and Bidault. They are the ones who run the country. They are the bosses of UNO and the bosses of UNRRA, and what UNRRA says we have to stand for; what UNO says we have to stand for.

Mr. BENTLEY: But you always vote for them over there, no matter who runs them.

Mr. POULIOT: I will tell my hon. friend that on all major issues he and the other groups over there support the government, whereas on the loan there were only six of us who voted against the government. My hon. friend voted for the government. There is no possible distinction between the major parties and groups because, on the main issues, they vote together. I wonder if it is the atmosphere of Ottawa. They seem to be magnetized or hypnotized by the power of bureaucracy. How can they dare to denounce bureaucracy when they support bureaucracy every time it drafts legislation which is swallowed by nearly everyone in the house?

Mr. BOUCHER: Evidently Ottawa has a good influence on the members.

Mr. POULIOT: Ottawa? No. It is not exactly Ottawa; it is the bad atmosphere of the House of Commons which disturbs the minds of intelligent members. I respect my colleague, but I cannot stand for that kind of policy, the policy of sacrificing Canada to everyone else. There is something else wrong with the distribution of tractors, of trucks and of everything that is under the War Assets Corporation. In eastern Quebec it is impossible to get anything. When we know that a piece of material is to be declared surplus we

write to the corporation and we are told that it has not been declared surplus. I wrote to the private secretary of one of the ministers that when the request is made by a Quebec easterner instead of by someone from Ontario, or even a foreigner the latter has a better chance to get these goods than a Canadian. How is it we have to write so much to get so little? I do not blame the minister; he is not to blame now because he has not the full control of the whole thing and cannot give us the distribution we would have if this government and this parliament had not that silly policy of giving everything to others without keeping anything for ourselves. That is the policy. Members appear to complain about it, but they supported the so-called external policy of this government, which amounts to nothing for us, because all the dominions of the British empire are run from outside; their sovereignty is an illusion.

Canada had nothing to do with the war with Finland except to declare war. We did not send a man there, but we are sending trucks. We were at war with that country because another power was at war with it. We sent trucks which our farmers are crying for, but they do not get anything. That is the way it stands.

I hope that I shall be permitted to say something to my colleagues about the reform which is necessary in this country. Everybody is for reform, but reform in the abstract, which means nothing at all. When we come down to brass tacks it is easy to count the members who make constructive suggestions to improve conditions in Canada. There is a haze which blurs the eyesight of men who should see clearly through the disorder which exists precisely because of the neglect and carelessness of the members of parliament. I regret it, but the trouble is that no distinction is made between what is important and what is not. It is taken for granted that so-called experts are those who should run this country, men who are not responsible to the people, men who are the products of universities and who are ready to teach the world about what is to be done immediately after they get a degree with a gold seal. And here we are. We listen to them just as if no one knew how to read and write, no one could make a sound decision. I ask hon. members to make their own decisions about everything, to consult their own judgments and act accordingly, and the country will be much better run.

Sometimes it is a very small suggestion which may be accepted. But what is swallowed by the whole House of Commons? It is precisely the product of the intelligentsia which all denounce so bitterly as bureaucracy. All the laws are prepared by bureaucracy. Members may denounce bureaucracy, but they swallow the draft legislation which is prepared for them, without asking any questions. Sometimes they denounce it, but they do not go to the source of the evil.

When I was on the other side of the house I suggested that we should have a union opposition, an opposition composed of all men of good will—and nearly all members are members of good will.

Mr. SPEAKER: Order.

Mr. POULIOT: When I say nearly—

Mr. SPEAKER: I am sorry to interrupt the hon. member, but the question before the house is a motion to adjourn the house to discuss a matter of urgent public importance, namely, the serious situation in western Canada with respect to the shortage of suitable farm machinery for the harvesting of the present large crop. The remarks of the hon. member should be relevant to the motion.

An hon. MEMBER: They never are.

Mr. POULIOT: I thank you, sir. What I just said was the preface to my conclusion. My conclusion is that instead of complaining about the state of things which everybody deplores, members of the House of Commons irrespective of party should unite and decide what the majority wants. In this case I suggest that all members of parliament should unite to give full control to the Minister of Reconstruction (Mr. Howe). Give him a trial; give him an opportunity to settle the question as well as he can, notwithstanding the steel strike and the other difficulties which confront us. It is precisely because of the domestic difficulties that we have to be indulgent to the minister. We must not blame him for conditions for which he could not be held responsible. The duty of members of parliament, if they really want what they ask for, is to set aside all party considerations and unite to put the business of the country in good shape. In this particular case it would be very easy. Each member would have only to consult his own judgment and make his own decision, and I am sure a large majority of the members would join together and settle this difficult question of the distribution of farm implements, trucks, and even automobiles.

If one spends his time blaming the Minister of Reconstruction for all he has done to improve manufacturing conditions in this country I do not find it fair. I will not say that it has been done for political considerations, but it should be done for a higher political consideration; it should be done to

improve the lot of those who are in need, and the need can be shown. How is it that it is impossible to secure advice? We get only criticism. There is ground for criticism.

Mr. BURTON: The hon. member will not listen to advice.

Mr. POULIOT: I always listen to advice which is full of common sense, but I never listen to criticism which is full of bitterness. We have a duty to fulfil; we have a duty to help our fellow citizens, to help them right away instead of wasting our time in useless criticism. There should be constructive criticism in order that there shall be useful suggestions to improve the lot of the farmers of Saskatchewan and of farmers all over the country, particularly the farmers of eastern Quebec. I remind my hon. friends of the prairie provinces that they are not the only ones to suffer. In eastern Canada we suffer as much, and my colleagues of Quebec are as much devoted to the cause of the farmers as my colleagues of Saskatchewan may be to the cause of the farmers in their part of the country. But the time has arrived to do something, and if my hon. friend who interrupted me a moment ago has another constructive suggestion to offer, I shall listen to him with delight. If a suggestion is sensible I shall support it; but I should hope that from the fertile minds of so many hon. members something will come to help out the farmer, and not only the farmer but all those who earn their living with implements of any sort.

It is time for us to make a thorough investigation into what is going on. The war expenditures committee has been sitting for a long time; I have read its reports, but there is no improvement. What has been said by the hon. member who moved this motion shows that the work of the committee has not been either practical or profitable to this country, because now we have a state of affairs about which everyone complains, in spite of the fact that this committee has held numerous sittings and heard numerous witnesses. Therefore all I ask my colleagues to do is to think, to listen to the voice of their conscience and to obey their own natural judgment in coming to decisions that will serve this country.

Right Hon. C. D. HOWE (Minister of Reconstruction and Supply): Mr. Speaker, I have been in this House of Commons eleven years and I must say I have never heard a more fallacious argument than that advanced by the hon. member who moved the adjournment. He has pictured Canada as a great reservoir of farm machinery, shipping it in a prodigal way all over the world to the absolute neglect of our own people. The fact of the matter is that Canada is a deficit country in regard to farm machinery.

Mr. WRIGHT: I stated that.

Some hon. MEMBERS: Order.

Some hon. MEMBERS: Sit down.

Mr. SPEAKER: Order.

Mr. HOWE: It has never in its history—

Mr. WRIGHT: On a point of order—

Some hon. MEMBERS: Order.

Some hon. MEMBERS: Privilege!

Mr. SPEAKER: Order.

Mr. WRIGHT: On a point of privilege—may I proceed?

Mr. SPEAKER: Does the hon. gentleman wish to speak to a point of order?

Mr. WRIGHT: Privilege.

Mr. SPEAKER: Very well.

Mr. WRIGHT: The minister has just stated that I painted a picture showing Canada as a reservoir of farm machinery.

Mr. SPEAKER: Order.

Mr. WRIGHT: My point is that this is not the picture I painted.

Mr. SPEAKER: That is not a question of privilege.

Mr. HOWE: As I said, Mr. Speaker, Canada is a deficit country in regard to farm implements, in that we have always imported far more than we exported and have required far more than we produced. That is just as true to-day as it was in earlier days, in spite of the fact that the production of farm machinery in Canada trebled between 1939 and the present time. In other words our capacity for manufacturing farm machinery is three times as great to-day as it was in 1939. The farm implement industry is operating to capacity and has been for several years, up to the limitation imposed by the recent steel strike. My hon. friend suggests that we could stop exporting entirely, and that other countries would still export to Canada.

Mr. WRIGHT: I did not say that.

Mr. HOWE: He certainly implied that. I suggest to him that farm machinery is just as short in the United States as it is in Canada, yet the United States is exporting to Canada. Why? Because throughout the war Canada and the United States worked with

each other on the basis of equality of sacrifice. That has been the principle on which we have dealt with the United States since the early days of the war. The principle was established at the time of the Hyde Park agreement and has been followed in recent years, I may say very much to the benefit of Canada. Only a few months ago the United States made a move to cut off the export of tractors to Canada; there was a terrific shortage of tractors in the United States. Canada is wholly dependent upon that country for tractors. We immediately went to Washington, raised the principle of equality of sacrifice, and succeeded in having our quota maintained. Could we have done that had we adopted the policy suggested by my hon. friend and kept everything we made in Canada for our own purposes, depriving our foreign customers of the Canadian implements upon which over the years, they have been taught to depend?

Mr. WRIGHT: How much did we get from the Argentine?

Mr. HOWE: Canada has been a supplier of implements to the Argentine republic for a great many years. I was in that country between 1930 and 1934, and I noted then that Canadian implements had a very large share of that market at that time, as they have had ever since. I do not know that my hon. friend would suggest that we cut off such an historic market under present conditions.

Mr. REID: Well, he did suggest that.

Mr. HOWE: Who has been the principal buyer of Canadian farm implements for export in recent years? I can tell my hon. friend that. The principal buyer has been UNRRA. Why has UNRRA been buying? So that it could help solve the food situation in the devastated countries. Why do we ration flour in Canada? Let me ask that. We do it so that we can send food to the devastated countries and help them avert starvation. Well, farm implements are the equivalent of food. All during the war we cut back many items of civilian production, but we did not cut back the production of farm implements; we expanded that production. Why? Because farm implements were implements of war. It was just as important to England during the battle of Britain to obtain farm implements from Canada as it was to obtain food itself, because farm implements meant food. We did maintain our exports of farm implements to the United Kingdom during the war years, and we expanded them as much as we could, in the meantime taking care of Canada's most urgent needs. We kept up that traffic during an acute shortage of shipping. Britain gave it the highest priority in shipping, and every effort was made to maintain those shipments as a matter of the highest importance to the people of both countries. We are exporting to the devastated countries to-day, though the proportions of those exports are not as great as in war years. We fully recognize the need to take care of the Canadian market; and let me say that I believe the needs of the Canadian market are satisfied to a higher degree in connection with farm implements than in connection with most other consumer items.

It is our policy to continue to fill those needs. That is why we are fighting the supply situation; and I may say we regard agricultural implements as having the highest priority in the division of available supplies. In the matter of pig iron, material that is in exceedingly short supply, we are robbing other industries in order to see that the agricultural implement industry is kept in full production. Throughout the war years the administrator of the wartime prices and trade board responsible for farm implements was fighting the battle of the implement industry in a very aggressive manner. It is because of his vigilance and because of the vigilance of this government at Washington that we have maintained our imports from that country; and the reason we have been well treated is that we have shared with the United States the burden of taking care of the agricultural implement requirements of the devastated countries. I sincerely hope the speech made by my hon. friend is not broadcast in Washington, because if it is, it may very well follow that the position concerning tractors may be reviewed in the light of comments made in this House of Commons.

Mr. T. L. CHURCH (Broadview): Mr. Speaker, because of your ruling the motion moved by the hon. gentleman has had to be amended, and it now includes only two matters. It is claimed that the situation in the west with respect to the shortage of farm machinery is serious because of the large crop. There is no doubt about that. It is "in consequence of this that the present situation exists". The members of the C.C.F. and most Liberals have contended all along that the agricultural implement industry was a free trade industry. The protection which was 32 per cent when the present government came into office has been cut down to seven per cent.

Only the war saved the remains of that great industry in Ontario. The Massey-

Harris company built up a large factory in Toronto under the system of protection. The hon. member for Temiscouata (Mr. Pouliot) has referred to this, and it seems to me that he is the only Liberal on the government side who wears the mantle and tie of Sir Wilfrid Laurier. He was not a free trader, but a protectionist, and the protection afforded by Sir Wilfrid in 1897 was the same as in 1896. As I say, the hon. gentleman seems to wear the mantle of Elijah—of Sir Wilfrid—and now it would seem the hon. gentleman himself is Elisha because he is the only Liberal on the government side who is ready to defend the principles of the national policy which built up this great agricultural implement industry. Elijah divided the waters of the Jordan, but the hon. gentleman is trying to unite the waters of the Ottawa.

Shortly after I came to the house I remember the council of agriculture coming down here in the early twenties with Mr. Drury, then premier of Ontario, and contending that protection was an unmitigated evil, that the manufacturers of farm machinery throughout the country were a lot of robbers and extortionists. They asked that the protection which was afforded should be destroyed. What has been the effect?

The war devastated the agricultural implement industry throughout the world. As I said before, the industry in Toronto engaged in war work and were thus able to keep open. Massey-Harris is established on King street west of Shaw street. This very large industry in conversion is now manufacturing many articles that are necessary and useful. In 1937 and 1938 I contended in this house that the government should give assistance to this industry which was in a serious condition. I also contended that large storage reservoir facilities be built up in England. In 1936, 1937 and 1938 I was the only member in this house who urged that storage reservoirs be established in the old country so that stocks of grain could be built up because I saw that war was surely coming. The British Medical Association said at a meeting in 1938 in London that this grain could be kept in good condition for ten years in such reservoirs.

You have to consider the cause and effect of the two situations set out in this motion. As I said, away back in the twenties the agricultural industry operated under a system of protection. Drastic reductions were made in the budgets of the twenties, and in the thirties the protection was down to seven per cent, as a result many of these industries were forced to the wall.

The grain growing industry was never a free trade industry. It should be the best protected one for us. It was never a north and south industry but an east and west industry to Britain, France, Italy, and our old allies as well.

What has been the result since Mr. Drury and the council of agriculture came down here in 1923? During the war we saw hon. members to your left, sir, standing up in the house and urging nine, ten, eleven and twelve different forms of protection for the great grain growing industry. Some of them supported the middlemen and elevators and the Winnipeg grain exchanges which were fleecing the dirt farmer out of the profits he should have got from his crops. They were the people to blame for the conditions that then prevailed on the prairies. It was not the man who sowed the crop, because he was a good man and true. Men of that type were a blessing to the country. You have to look at the cause and effect of the policies then put into force by hon. gentlemen to your left.

The hon. member for Rosthern (Mr. Tucker) when he came here supported those free trade policies, and there were many others. The result was that the small protection enjoyed by this industry was cut down to seven per cent. Mr. Speaker, you come from western Ontario and you know that in the early days there were manufacturers who wanted to claim all the benefits of protection for themselves. In the twenties those manufacturers were the worst enemies protection had. Protection as properly applied in the days of the Conservative party, and in practice continued by Sir Wilfrid and Mr. Fielding and others, was not applied for the benefit of one class; it was applied for the benefit of the people. The application of protection in that way meant that we were able to maintain our own markets for our own products and for our own workmen. By this national policy of the Conservative government the great cities of this country were built up.

That policy has never been seriously interfered with as it relates to the agricultural implement industry. The protection was cut down so low that two or three companies were driven to the wall. They could not pay their taxes and overhead charges on the seven per cent. What was the result of the policy of hon. members to your left? The market was left to the American manufacturers. McCormick's in Chicago were able to ship farm implements across the border and avoid taxes.

I have the deepest sympathy for the people of the prairie provinces, especially the grain growers, and all along I have supported their cause in the house. However, I fail to see where this is an emergency, because it has

been referred to many times during this session. Instead of talking for days about the price of wheat, as is done each session, we might think more about the people of the mother country who were our steady and best customers for grain. I believe we should have given them 200,000 bushels of wheat and saved the mother country from having to put in bread rationing. That would have been a blessing because they were the pioneers and the best friends of the great grain growing industry, as were the people of France and the people of our old ally, Italy. I appreciate the sincerity of the mover of the motion and others to your left, but they are not following the policies they and all their predecessors used to follow when they were free traders. Now that the war is over I am afraid that without adequate protection this industry may have to close up as was demanded in 1923 when the council of agriculture came down here. We shall either have to have adequate protection for the industry or free trade in agricultural implements, and that is what we are heading for. The old Conservative party were absolutely right and always have been. They were the best friends the farmers on the prairies ever had—not the free traders who forget all about cause and effect. We need a policy that will preserve our own markets for our own products and our own work for our own workmen. It is the fallacies of hon. gentlemen to my left which are responsible for the decline in the agricultural implement industry. Some of the manufacturers themselves in the early days were the worst enemies that protection ever had, because they wanted to claim all the benefits of it for themselves and none for the consumer or at times for their workmen or for the country at large. There is a shortage now of agricultural implements, it must be admitted, but there is also a world shortage of suitable farm machinery, and transportation and strikes play an important part in that shortage. There is no doubt that with harvest coming on the situation is serious, but not because of all the reasons put forward by the hon. member for Melfort.

Mr. W. A. TUCKER (Rosthern): Mr. Speaker, I do not wish to detain the house more than a few moments, but I should like to put some actual figures on the record. I am really surprised at the hon. member for Melfort (Mr. Wright) presenting only one side of this picture. I think he should have considered the best interests of the farmers of Saskatchewan and of the rest of Canada before he undertook to speak as he did this morning.

This subject came up in our veterans affairs committee, where the question was raised about the exporting of farm implements. We went to the trouble to get the actual figures We already of course knew quite well that practically all our imports of the most vital farm implement we have—the tractor—are from the United States. We also know that there are people in the United States, just as there are in Canada, who talk in the same manner as the hon. member for Melfort did this morning, that they need their own tractors in the United States and therefore the government of the country should place an embargo on the export of American tractors and let other countries get along as best they can without them. But in the United States the attitude of give-and-take, of carrying on on a comradely basis, prevailed over this argument, and so they continued to export to us our fair share of tractors and other farm implements.

I ask any member representing a farm community in this house what would have happened to the farming industry in Canada if the United States had actually listened to arguments similar to those made this morning by the hon. member for Melfort and discontinued the export of their tractors? Can it be suggested for a single moment that if we took that attitude, if we stopped all shipments of farm machinery to the unfortunate peoples of Europe so that they could raise crops and feed their starving women and children—

An hon. MEMBER: Boo-hoo.

Mr. TUCKER: Someone may sneer at that. I do not want to name the member who did it, because I am sure that on second thought he will be sorry for it. It ill behooves any hon. member to sneer because we are a country most blest by Providence, and if we took the selfish attitude indicated by that "boo" we would not be showing gratitude to divine Providence for the way in which Canada has been blest in a world torn by suffering and starvation. Is it to be suggested that if we did take that attitude towards the unfortunate peoples of Europe and refused to send the farm machinery we are sending to them through UNRRA we could still go to the United States and ask them to ship to us a fair share of their tractors? They would almost certainly say to us: You are not as badly off as the peoples of Europe, and if you are placing an embargo on the shipment of farm machinery to them and also to our farmers, we will hand out to you the same measure of justice that you are handing out to them and to us. The future organization of the world cannot be on the basis of going

amongst one's own people and saying: "Why are we sending abroad this machinery and this food that we need at home?" and thus working up hatred and antagonism towards international cooperation, which is the only sound basis for world peace and cooperation.

Now I wish to put on *Hansard* the actual figures tabled in our veterans affairs committee on June 28, to indicate that if we stopped exporting farm machinery and had that same policy applied to us, not only would we lose on the most vital piece of farm machinery we need, the tractor, but we would lose on the total amount of farm machinery available to us. We cannot have it both ways. That was the old idea of the protectionists—that you could stop buying and go on selling abroad. Here are the figures.

In 1939 the gross selling value at the works of our production of farm implements and machinery was $16,000,000 odd. Our imports were $20,000,000; our exports and reexports $7,000,000. That meant an apparent consumption in 1939 of $29,000,000 worth of farm implements in this country, which was $13,000,000 worth more than we produced in 1939.

In 1945 we produced $46,400,000 worth of farm implements. We imported $27,300,000; we exported $20,200,000. Our apparent consumption was $53,500,000 worth, or $7,100,000 worth more of farm machinery consumed than we were able to manufacture in this country.

I would draw the attention of the house to the fact that in spite of the gloomy outlook of the hon. member for Broadview (Mr. Church), in 1945 we actually produced in Canada $46,400,000 worth of farm machinery, as against $16,000,000 worth in 1939. I would also point out that in 1945 while we imported $27,300,000 worth, we exported only $20,200,000 of farm implements, so we gained on the whole transaction approximately $7,000,000 worth of farm machinery, and that farm machinery was the most vital of all to our farmers on the western plains, tractors being a large item of it.

In 1946, from January to April, we imported $16,400,000 worth of farm implements, and exported $10,600,000 worth. In other words, in that period we imported three dollars' worth of farm machinery for every two dollars' worth that we exported.

The proposal of the hon. member would strike at our importations of machinery, including tractors, of which, as I have just said, we imported from January to April three dollars' worth for every two dollars' worth that we exported. It means that we would have $6,000,000 worth less of farm machinery if we did not export and import. I leave it to the judgment of the house and of the country whether that would be in the best interests of the farmers of Canada.

We hear a great deal in Saskatchewan about these nefarious interests which are exporting in order to make a profit, that they do not care about the farmers' needs, and so on. It is perhaps a good thing that this question has been raised on the floor of the house, because it shows that on balance we have gained during the period from January to April of this year almost $6 million worth of machinery over what we would have had if we had not exported and imported.

Mr. McILRAITH: Six million dollars is our total apparent consumption in 1932.

Mr. TUCKER: Yes. For people to go around the country in order to stir up a feeling like this, making demands on their government which might have the most serious repercussions in their effect upon the farmers, and in particular for this to be done by any party or any member in this house, is, I think, very much out of place. However, I am glad that the matter was brought up on the floor of the house, because when it is said around the country many people do not think of the other side at all. They say, "Why are we exporting all this stuff?" They do not think that if we stopped exporting we would stop importing. That is true with regard to the very thing that hon. members have been speaking about—tractors. I venture to say that every one of them came from the United States.

An hon. MEMBER: And combine engines.

Mr. TUCKER: Perhaps combine engines too. Tractors, anyway. If the ultimate result of the hon. member's speech were what he appeared to wish it to be, these very people would have no tractors at all. It is quite true that a plant to manufacture tractors for cooperatives is being set up in Brantford, but the basis on which that implement industry which is to supply the cooperatives of Canada and the United States is to be built up is this. In times past it was found that owing to the comparatively smaller demand for tractors in Canada compared with the United States, tractors cost more to manufacture in Canada than in the United States. If we did not permit the free importation of tractors the farmer would be paying more for his tractor, because, owing to the smaller output it could not be made in Canada nearly as cheaply as in the United States. As a result of the policy of this government in taking the tariff off it is now possible for the implement industry to supply the cooperatives in the United States and the cooperatives to be set up in Canada,

which will result in a very much larger output because it will supply the cooperatives in the United States. As a result, for the first time in many years it will be possible to have a successful tractor industry in Canada which because of the large output will be able to manufacture tractors as cheaply as factories in the United States. That arises, not from a policy of exclusion and interference with trade, but by virtue of the very policy we are following. The clear effect of my hon. friend's attack on the trade in farm implements, if carried to its ultimate conclusion, would be the destruction of the possibilities in the tractor industry of establishing a set-up to supply tractors in Canada and the United States.

So I say that on two counts the hon. member for Melfort was ill-advised in bringing this up. In the first place, his words will be read in Washington, and the very people who talk as he does in the United States will say, "There, on the floor of the Canadian House of Commons they say that they should place an embargo on farm implements; therefore we had better follow their policy and place an embargo on much-needed tractors"; and when trade is interfered with, the basis of the most hopeful developments in the matter of the supplying of farm implements to the farmer at or near cost, namely by having them built in a cooperative plant which is to supply the United States and Canada, would be cut away. I say that to get some temporary applause in the country by attacking a policy which has so much in the way of good, of hope for the future, and of fairness to humanity, is too high a price to pay for that sort of thing.

Mr. VICTOR QUELCH (Acadia): I think the present situation may be looked upon as a logical outcome of the government's policy on foreign trade. They have always overemphasized the importance of the export trade at the cost and in some cases to the exclusion of the home market. Hon. members on the other side—the hon. member for Rosthern (Mr. Tucker) and the Minister of Reconstruction (Mr. Howe)—have emphasized the fact that we are getting a large amount of imports in the form of machinery from the United States. Well, first of all, that points to the absurdity of our exporting machinery when we have a chronic deficiency of machinery in this country and are having to import it.

The hon. member for Rosthern said that we have a moral obligation to the devastated areas of Europe which are short of machinery. Let me ask the hon. member for Rosthern, or any member of the government, what is the main shortage in Europe to-day? The answer is food. Therefore in considering the question of machinery you must consider what is the most efficient use which can be made of machinery to-day, and I think it can be proved beyond the shadow of a doubt that more bushels per machine can be produced in Canada than anywhere in Europe.

We in western Canada are suffering a great loss of production on account of the shortage of machinery. To-day in western Canada we are facing, I hope, a very large crop; the present situation looks good, and if that large crop comes we are going to lose millions of bushels of wheat because of the lack of machinery.

There is another thing: this chronic shortage of machinery is having an adverse effect on machinery prices. Old machinery is selling at higher figures than the list prices of new machinery.

In the discussion of loans to foreign countries we in this group pointed out that we were prepared to support these loans purely on one ground, and that was the moral obligation to make them, but that it was not to the advantage of Canada to finance exports of goods which were in short supply in this country; that these loans should be used mainly for the exporting of any goods which happened to be surplus. As I said, Europe is depending on us for tremendous quantities of food; therefore it is essential that our production be kept up at the maximum level, and that can be done only if our farmers have the machinery needed for that maximum production. Therefore I would urge upon the government the desirability of curtailing exports until that chronic deficiency has been made up.

Mr. J. A. ROSS (Souris): Mr. Speaker, I wish to make a few observations on this motion. Coming from the quarter of the house from which it did, it seems a bit strange when one recalls the history of this session. The leader of the official opposition moved an amendment in this house that agricultural production in Canada was being hampered because of controls and other government policies, but if my memory serves me rightly we were not supported on that motion by the group to my immediate left. So I think they show a strange inconsistency.

Mr. ZAPLITNY: More of us voted for it than members of your party.

Mr. ROSS (Souris): Not on the particular amendment I refer to, namely the throne speech amendment last March. But despite that fact I want to support the principle of the motion moved by the hon. member for Melfort (Mr. Wright). May I say, with respect to some of the resolutions for the settlement of our veterans, which is an all-

important matter at this time, the greatest difficulty is the handicap arising from a lack of proper farm equipment, and the veteran's inability to obtain it.

I was interested in some of the figures put on *Hansard* by the last speaker on behalf of the government, the hon. member for Rosthern (Mr. Tucker). He said that some $53 million worth of farm implements were distributed in Canada during 1945. That is approximately the normal consumption of farm implements in Canada in pre-war years.

Mr. McILRAITH: No—six millions.

Mr. ROSS (Souris): This motion referred to western Canada, and I was going to say that in western Canada alone the normal annual requirement in pre-war years was approximately $50 million worth of farm machinery.

Mr. McILRAITH: That is the second highest in the history of Canada.

Mr. ROSS (Souris): I am not arguing the point. I say that the normal requirement by western farmers in pre-war years, as can be ascertained from the bureau of statistics, was approximately $50 million. I am speaking, of course, of agricultural implements. When war was declared in 1939, as admitted by everyone in Canada, agricultural price levels were most unfair, and as a result the farmers were unable to purchase the farm implements they required. There was consequently a backlog of $200 million worth of farm equipment which the farmers required and which they would have purchased had they the means of buying it. These are figures which cannot be disputed. We also realize that farm implement companies and other concerns of the kind do not produce equipment when there is no demand for it, but farmers go ahead producing. They have greater difficulties, therefore, than these other people have to face.

One of the ministers asked, what about export wheat along with the export of farm implements? One of our greatest difficulties to-day is that in the export of wheat the price is held down by the government and the commodity is not sold at the prevailing world market price, as farm implements, lumber and other manufactured goods are sold.

Mr. ABBOTT: Does the hon. member advocate a wide open market for wheat?

Mr. ROSS (Souris): On export? I have always done so, yes, and I do to-day, so far as the export of wheat is concerned. I certainly do.

Mr. BERTRAND (Laurier): Including England?

Mr. ROSS (Souris): Any country. Much is made of this great contribution of Canada to Britain, and I do not object to it, but I do object to the producer making the contribution and not the taxpayer of Canada as a whole.

Mr. ABBOTT: You object to the four-year contract for wheat?

Mr. ROSS (Souris): I certainly do, on the present basis, and you will hear more about it before the session is over—under the present set-up. In my opinion the crux of this situation is to be found in a statement made by Donald Gordon the other day before a committee of this house, wherein he intimated that it was the duty of many enterprises and business concerns in the country to carry on for the national welfare, whether they made a profit on the goods they sold in Canada to-day or not. He went further and said that certain companies, essential to the country, were able to operate only by virtue of the fact that they made a profit on the goods they exported. I do not know what that means, except that it is all bound up in the present government control system. At any rate that is the statement of Donald Gordon, who is responsible for the price ceilings. He was then talking about the production of lumber for houses and other requirements, and he said that you could not procure lumber at present prices in Canada. The same applies to farm implements.

Figures were put on *Hansard* by the member for Melfort showing that there was $16 million of farm implements exported out of a production of $46 million in this country. That bears out the philosophy of Donald Gordon under the present price control system. I do not know how far you can carry that, but I do say that there is a decided shortage of implements in Canada at the present time.

Mr. ABBOTT: A shortage of other things too.

Mr. ROSS (Souris): Certainly there is, and it is all due to the policy of the government of the day.

Mr. ABBOTT: Nonsense; it is due to the war.

Mr. ROSS (Souris): No such thing; I will be fair enough to say—

Mr. ABBOTT: You are burying your head in the sand.

Mr. ROSS (Souris): I hope I am not burying my head in the sand any more than the Acting Minister of Finance has done in the past few days.

Mr. ABBOTT: That is a snappy come-back.

An hon. MEMBER: There aren't any heads there to bury.

Mr. ROSS (Souris): There is something there.

Mr. ABBOTT: Somebody else had to think of that one for you.

Mr. ROSS (Souris): At any rate, we do not make little jests and write them out and pass them back and forth and put them in our desks, as I have seen the Acting Minister of Finance doing in the discussions in the house.

Mr. ABBOTT: What's that?

Mr. ROSS (Souris): The member for Melfort pointed out that harvesting would be in full operation in a month's time, and I can assure you, Mr. Speaker, that in southwestern Manitoba it is progressing to-day. According to a letter I received from home, my men are cutting fall rye, and barley is ready to cut. I am sure the government whip will say that harvesting is taking place on his farm in central Manitoba, and so on through the west. This farm machinery shortage is a serious situation and something that is not new. It has been discussed in past sessions and on several occasions during this session.

Something has been said about free trade. There is no tariff on implements now, as I understand it, and despite that fact, once more, owing to the government's control system, we find that a power binder manufactured in Canada costs over $100 more than an international binder from across the line. There is a difference of more than $100 in the purchase price of the two binders, and that again by virtue of the controls that are operated by the present government.

Without taking up more of the time of the house, I wish to register my objection to the present shortage of farm equipment in Canada, which is the result of the present policies of the government. I hope they will see their way clear to changing these policies in the future, because, as I pointed out before, this and other policies of the government are decidedly hampering the production of essential foodstuffs, which are needed here and in Europe, as has been pointed out by hon. members on the other side of the house as well as on this side.

Mr. G. H. CASTLEDEN (Yorkton): As seconder of the motion I merely wish to straighten out some statements made with regard to the mover (Mr. Wright). The hon. member moved the adjournment of the house to discuss a matter of urgent public importance, namely, the serious situation in the west with respect to the shortage of suitable farm machinery for the harvesting of the present large crop. The member for Melfort should be the last one to be accused of wishing to cut off the importation of tractors. He would like to see more farm machinery imported, because we have not sufficient manufacturing facilities in Canada to-day to meet the requirements.

Mr. TUCKER: Will the hon. member permit a question? Can he expect, if an embargo is placed on exports, that other countries will continue shipping such things to Canada?

Mr. CASTLEDEN: The hon. member did not suggest that.

Mr. TUCKER: Yes, he did.

Mr. ABBOTT: What did he suggest?

Mr. CASTLEDEN: He was referring to the policy of the government and what they had done with regard to exports. The hon. gentleman has had his little say and has presented his case; I wish to make my speech now.

To-day we have one of the largest crops that we have ever seen, east and west. Western Canada went through ten years of depression prior to the war, and all machinery was worn out. The farmers were unable to get new machinery, and they tried to keep what they had in a state of repair. The prices of repair parts have gone up until the farmers are in desperate straits, and now that a bumper crop is expected in some areas where there has not been a crop in years, the farmer does not know how he will manage to take the crop out. This is an emergency situation, and it is the situation that has given rise to this resolution.

We think that machinery should be sent to UNRRA and to other places in order to promote production. It is a matter of meeting the immediate need, and the question is whether you will take tractors and combines and ship them to Greece or Belgium or southern countries where they will not have a harvest for another six months, or whether you will use the equipment in Canada to-day. That is the point. If you ask the people of those countries whom UNRRA is feeding whether they would take a carload of farm machinery, or wheat from western Canada, I have no doubt they would reply at once: Send us the wheat now and the machinery later, because we need the food. Reports from UNRRA depict a terrific situation; for they indicate that death from starvation can hardly be averted among the thousands of people who need foodstuffs. In a situation such as this, can we see food in western Canada

lying in the fields, freezing, rotting, rusting, spoiling in the stooks for lack of machinery?

To me that is the situation. Canada's capacity to produce that food in the next few weeks is the important thing. Take all the machinery we can get hold of to-day and ship it out to that western country. We have another year to carry on our production. It will be of no use to bring in that policy and ship out the machinery in two months' time. It will be too late. That is all we want. We want something done immediately. We are not asking that exports to other countries be stopped. We understand these things have to go on, but we do say that there is an immediate situation which has to be met. We have to meet it now.

People wonder why this shortage continues. They do not understand it. I believe the debate will do something toward enlightening the people as to Canada's productive capacity. Whenever there is a great shortage the pressure for producing is greater and the prices are apt to go up. The wartime prices and trade board does not always keep prices under control. Second-hand tractors were sold this spring in western Canada for $600 or $700 above the price of a new tractor. Why were these prices not controlled? Farmers would pay double the price for a binder to-day if they could get hold of it. We must prevent the building up of a black market; that kind of thing should not be permitted.

What we should like to see done with respect to this particular motion is that the government take immediate cognizance of the fact that there might be a spoilage and a wastage of food which is right there, practically in the bag, at a time when the world is starving. Let the government take hold of the supply of all the machinery that is available in the country and all that it can get from anywhere else, and put it into that western country to relieve the immediate situation which is facing the people there. This would help to save the food which could be sent abroad to feed a starving world. The whole matter of stepping up the production in the farm implement business to meet these needs—it is too late for this year—should be taken well in hand. The government should make a complete survey of the farm machinery productive capacity of Canada, with a view to improving conditions in our own country if the imports cannot be obtained from other countries.

Mr. R. W. MAYHEW (Victoria, B.C.): I have no intention of delaying the house at any length on this matter, because it has been fully discussed and probably will bring about some improvement. I am sure that the statement which was made by the Minister of Reconstruction and Supply (Mr. Howe) and also the statement made by the hon. member for Rosthern (Mr. Tucker) will clear up the situation considerably. However, I do wish to clear up one matter, if I can. Close to eleven o'clock last night the hon. member for Melfort (Mr. Wright) came over to me and was kind enough to say that he intended to bring up this matter in the house. He did not know just when it would be done. He again read the answers which I gave him some time ago on this subject. At that time I suggested to him that there would be an opportunity to bring up the matter when we were going into supply, and that it could be done satisfactorily then; therefore I was surprised when the question was raised to-day.

This subject is not one in which the Department of Finance alone is interested or should take the sole responsibility. It affects three other departments. The question whether we should or should not export farm machinery is one of government policy. I think the present policy is a good one, and the only one that Canada can adopt. So far as our trading with the United States is concerned, if we had not been willing to trade in many articles with that country I do not know what would have happened to us. We have been in short supply in steel ever since the beginning of the war. At all times they were ready to share their steel with us, particularly when we were in a much more serious position than we are at the present time. Had we not been willing to adopt that trade policy, the good neighbour policy, the chances are there would have been considerably less farm machinery than we have been getting.

From the point of view of good business I think it should be the policy of Canada to look after our trade abroad. It probably will not be long before these very same people will be crying for more work for our men. If we close the door to-day on machinery for export, or anything else that we can export, they will be the first to complain that work is not available. In my opinion Canada should endeavour to hold on to what export trade she has at present. I shall give the house an illustration. Quite recently an advertisement appeared in our home paper. It was placed there by the Hudson's Bay company. What were they advertising in Victoria? Fancy biscuits manufactured in England. England wanted to continue to hold that market. Some may ask why we are sending food to Britain and they are sending food back to us. There was probably not more than an ounce of food value in those biscuits, but there was a large monetary

value in them. England was going to hold her trade in the future. I think it was good policy for her to do that. It may not have been good policy for the Hudson's Bay people to put it on the front page of the paper where it would be read by people who do not think and do not understand the ramifications of this kind of business. I think England was doing the right thing, and we are doing the right thing in this regard.

So far as farm machinery is concerned I think the hon. member for Rosthern (Mr. Tucker) made the situation clear. In only one year since 1931 have Canada's exports been more than her imports. That year was 1933. In every other year we have been debtors so far as farm machinery is concerned. I have not the figures with me, but I want to say something about our own consumption or delivery of goods to the farmers. I have not the figures because when I asked the question over the telephone I was told that they could not give it by provinces; they did say however, that in the first four months the delivery of farm machinery to the farmers of Canada was twenty per cent more than it was in the other years. Up to date we have already delivered to our own people some $10,600,000 worth of farm machinery. Last year our requirements were $53,000,000 in all. Therefore we are well ahead, and if we continue with our production this year the way we did last year we shall produce in the neighbourhood of $60,000,000 worth of farm machinery.

As soon as I got around to the questions this morning I asked the department to prepare a comprehensive statement which I might be able to give to the house on this subject, and I shall do so on a later occasion. That is all I wish to say at this time.

Mr. J. G. DIEFENBAKER (Lake Centre): Mr. Speaker, I do not wish to hold up the business of the house, but I do want to make a few references to the trend this debate has taken. The hon. member for Melfort (Mr. Wright) I think has rendered a public service in introducing this resolution, which is to the effect that there is an emergency in the west in the matter of the supplies of farm implements required for the harvesting of this year's crop.

Much has been said on the question of foreign trade. Personally I cannot see where that question enters into this discussion at all. We have in western Canada to-day an emergent situation which demands action now, not consideration by the government of questions of trade. In the few moments at my disposal I have taken the trouble to get some statistics which indicate that the government has been negligent in discharging its responsibility in the matter of providing for reapers, reaper-threshers, combines and the like, necessary for the harvesting of our crop. This is not a new problem. The government was aware last April of the condition and of the necessity of increasing the supply of farm machinery this year, because that was the reason given for the increase in price. The 12½ per cent increase was to assure the production of farm implements in order to meet the increasing demand of this country. One of the major considerations then before the Department of Agriculture, and I believe the Department of Trade and Commerce as well, was the necessity of making available the necessary farm machinery to replace that which had become obsolete during the war but which had continued to be used because no replacements were available.

What has the government done? It realized that under normal conditions a large crop was to be harvested this year. It has known that for a period of months, but it strikes me as very strange that in June alone, at a time when the government must have fully realized the situation, exports of harvesters, binders, reaper-threshers and the like from this country were materially greater than they were a year ago. In the period from January to November, 1945, Canada exported 9,729 harvesters and binders. In the six months ended June 30, 1946, our exports totalled 8,083, or almost as many in six months as had been exported in eleven months in 1945. Take reaper-threshers; to-day in the western provinces particularly agriculture is mechanized. Without combines, labour being in short supply as it is to-day, our crops will not be marketed. What is the record? From January to November, 1945, the number of combines exported from this country was 1,888. For the six months ended June 30, 1946, the exports totalled 2,616. I could go through the list of threshing machine separators and so on, showing material increases at a time when the government must have realized—and it is not so much averse to exercising certain types of controls—what the condition was going to be. Take the month of June as an example. During that month, with the great crop coming along in western Canada, which must have been known to the government, Canada exported 473 combines, 1,599 reapers and 1,073 mowing machines, harvesters and binders. One can sometimes excuse the necessity for trade, but at the moment the greater necessity is the harvesting and preservation of that food in this country.

Mr. MAYHEW: Do you think you can just go out and pick up trade when you want it? You have to give some consideration to these matters.

Mr. DIEFENBAKER: Well, Mr. Speaker, that very question answers itself; nor can one pick up food once it is destroyed over hundreds or thousands of acres. The government asked for production, and it was its responsibility to make available to the farmers the necessary machinery and parts. The government does not discharge that responsibility by flippant remarks such as have been made here this morning by certain ministers of the crown. My hon. friend points—

Mr. ABBOTT: I am not pointing at my hon. friend; it was just an aside concerning the Siamese twins sitting in front of him.

Mr. DIEFENBAKER: It is just a coincidence that the hon. gentleman who pointed was one of those who this morning made those flippant remarks concerning an emergency situation which demands not the display of partisanship but cooperation by all of us. What minister has risen and given the farmers any assurance that their call will be answered?

Mr. MAYHEW: What better trade could we be doing, as a matter of preserving food, than having our machinery over in the United States harvesting their crops, with the promise that their machinery is going to come back to help us harvest ours? Is that not reciprocity of the best kind?

Mr. DIEFENBAKER: Well, Mr. Speaker, the government does not meet the situation with alibis like that. The answer the government should give at this time is an assurance that this situation is going to be met. That is all that is asked; the promise, not the expectation or the hope, that it is going to be met. I do not know whether my hon. friends on the other side of the house are out of touch with the electors, but during the last few days I have received numbers of letters from my own constituency pointing out the difficulty. Those who have written are not very hopeful. Some are veterans who have found it impossible to get any machinery in order to carry on their farming operations without first binding themselves by a loan under the Veterans Land Act. There are veterans all over Saskatchewan who have asked for a priority for machinery but have been denied that priority, and the reason given has not been a denial of their need but the fact that under the regulations now in effect they cannot have priorities unless they bind themselves under loans.

Mr. MARTIN: Let us forget politics.

Mr. DIEFENBAKER: Oh, my hon. friend says, "Let us forget politics."

Mr. ABBOTT: Some people can't.

Mr. DIEFENBAKER: No; there is the voice of experience echoing my hon. friend the Secretary of State (Mr. Martin). Two better examples could not have spoken at one time.

Mr. MACKENZIE: I wonder if my hon. friend would withdraw the resolution now, so that we could get ahead with the business of the house at three o'clock.

Mr. ZAPLITNY: I wish to take part in the debate, Mr. Speaker.

At one o'clock the house took recess.

The house resumed at three o'clock.

Mr. F. S. ZAPLITNY (Dauphin): Mr. Speaker, I would not be holding up this matter any longer except that only one hon. member from Manitoba has spoken. I think it should be understood that this question affects Manitoba as much as any other province in Canada.

I was a little surprised at the attitude taken by the hon. member for Rosthern (Mr. Tucker) in his reply to the hon. member for Melfort (Mr. Wright). Instead of showing some appreciation for the fact that the hon. member for Melfort had taken the trouble to bring this serious matter to the attention of the government, the hon. member for Rosthern attempted to scold him. I do not think that is what this house expected. I realize that the government cannot be conversant with everything that develops throughout the country, and there are many things which possibly slip by unnoticed. It may be that they were not aware of the serious shortage of farm implements on the prairies, and the hon. member for Melfort has performed a public service for all the farmers of Canada by bringing this matter up for discussion to-day.

I think he made it abundantly clear that the only reason he was bringing it up at this time was its urgent importance. In some parts of the prairies harvesting has already begun, while in most other parts harvesting will begin in the next few weeks. There is a definite shortage of implements, and I think the government should have taken a more cooperative attitude than it appeared to take to-day.

A great deal has been said about the export of implements and the possible effects of preventing exports to other countries. So far as I am concerned I would be the last to say that we should place an embargo against the

export of any materials to countries which require them, provided that we can spare them. To the extent that we can spare farm implements or anything else, we should be prepared to export them to countries which need them. But we are faced with an immediate shortage of implements in this country just before the harvest season begins.

It should be understood that if we export reapers and harvesters to the United States or to European countries they will not arrive there in time for use in harvesting. For the most part harvesting in the United States is either completed or well advanced, and the same may be said of many European countries. Anything we might ship now would not reach those countries in time to help with their harvesting. This should be clearly understood. It is not a question of depriving other countries of harvesting equipment which they might be able to use; it is a matter of making available to the farmers of western Canada, and all Canada, implements which have been manufactured and which are lying in pools, perhaps consigned to other countries but not yet shipped. I do not think it is unreasonable for members of this group or anyone else to request the government to give immediate consideration to releasing some of these implements which if shipped to other countries will not turn a wheel for a whole year while we are suffering a shortage in this country.

Mr. REID: How much wheat does the hon. member think will not be harvested because of a lack of machinery?

Mr. ZAPLITNY: I do not know, but if one bushel of wheat is likely to be wasted because of a shortage of implements which are lying around and not being used, we should try to see that it is not wasted.

I think the argument about exports and imports was beside the point. I would not mind if we were to have a full dress discussion on imports and exports, because I am sure hon. members on all sides could contribute something to it. But I would point out that there seems to be a metamorphosis occurring in the thinking of hon. members on the Liberal side and hon. friends to my right in the matter of exports and imports. It was not so long ago that hon. members who support the government used to tell this house and the country that we must export in order to have a favourable balance of trade. That was their story then, but to-day they say we must export in order that we may have imports in exchange. I congratulate them upon that changed attitude; I believe it is far more sound. I think it was the present leader of the opposition (Mr. Bracken) who not very long ago coined the phrase that we must export or die. I may be wrong in crediting that phrase to him, but I think that is where it came from.

Mr. DIEFENBAKER: What about the socialists?

Mr. ZAPLITNY: To-day we heard the hon. member who has just interrupted me tell us that if we export we shall die. It is a little different type of story that we heard to-day.

Mr. DIEFENBAKER: That statement was never made at any time, and the hon. member knows better.

Mr. ZAPLITNY: Hon. members on all sides are beginning to realize that we export in order that we may get goods in exchange, not to bring about a mythical balance of trade, which was the argument advanced before. Bringing in the argument of exports and imports at this time seemed to me to be getting a little away from the subject. I believe all the hon. member for Melfort wanted to do, and he presented his case ably, was to rivet the attention of the government on the shortage of implements in the west and throughout Canada generally, so that in the next twenty-four hours they might do something to supply implements which are already available but are being held or consigned to other countries. I do not think that is unreasonable.

The argument that people in the United States might feel offended if we refused to give them implements which normally might go there is not a very good one. I have been in the United States several times and I have spoken with farmers and others. I found these people most reasonable. I do not think they would object to the Canadian people supplying their own farmers with implements when there is a great need for them rather than ship them across the border. I believe they understand our situation, and I submit we are underestimating the friendliness and understanding of the people of the United States when we say that they would feel offended or would take some action in reprisal. I do not think that is correct.

It is not because of politics that we bring this matter to the attention of the house. I have in my hand a letter addressed to the hon. member for Regina City (Mr. Probe) by the Saskatchewan associated boards of trade. Most of the members of this association are not farmers, but they recognize the shortage of certain types of implements. They say:

There is much concern in Saskatchewan and I presume on the prairies generally, that there will not be sufficient vehicles to transport the current crop from the farms to the rail head, in order to expedite its delivery to the peoples who are so much in need of it.

A little further down they make the following recommendation:

The Saskatchewan associated boards of trade respectfully urge that of the available supply, increases be made in the ordinary current allotment of commercial vehicles, or that quotas for winter months be diverted to fall delivery in time for the crop season.

It is evident that the associated boards of trade of Saskatchewan are aware of the impending shortage for this harvest. In all fairness the government should not take this merely as something in respect to which we are criticizing them, but as something that we have brought to their attention because we feel it is necessary that they take immediate action. I hope that is the spirit in which they will take it eventually.

Before I resume my seat I should like to put the record straight in connection with what the hon. member for Souris (Mr. Ross) said earlier to-day. I am sure the hon. member did not wish to be unfair when he said that the members of this group failed to support his leader in the amendment he moved deploring the policies of the government which resulted in holding back production. But possibly he did not check the record. The vote on that amendment was taken on May 24, and it shows that the shoe was on the other foot. I have the record of the vote before me as contained on page 1874 of *Hansard* of May 24, 1946. If my hon. friend will refer to that he will see that of the members in the house at that time only nine Progressive Conservative members voted for the amendment of their leader.

Mr. ROSS (Souris): I referred to the amendment to the address and to the amendment on the budget as well. We expressed the same criticism in all three amendments.

Mr. ZAPLITNY: I am bound to accept the hon. member's explanation, but he definitely said that when the leader of the opposition moved his amendment—

Mr. ROSS (Souris): To the address in reply to the throne speech.

Mr. ZAPLITNY:—to the effect that government policies were interfering with full production, it did not receive the support of this group. I am referring to the amendment practically in those very words. I shall not read it, because that would be out of order.

Mr. ROSS (Souris): The amendment to paragraph 3 of the address in reply to the speech from the throne is what I was referring to.

Mr. ZAPLITNY: The record speaks for itself. It shows that on May 24 only nine Progressive Conservative members voted to support the leader of the opposition.

Mr. GREEN: Be fair. How many were paired?

Mr. ROSS (Souris): Exactly. There were many times nine members of this party paired at the time and present in the house.

Mr. ZAPLITNY: Only nine of the Progressive Conservative members present voted for their amendment. I think that is correct. Nobody objects to that.

Mr. GREEN: State how many were paired.

Mr. ROSS (Souris): Give the whole story.

Mr. SPEAKER: Order. When an hon. member has the floor he should not be interrupted without his permission.

Mr. ZAPLITNY: Thank you, Mr. Speaker. I do not mind questions, or even interruptions if they come one at a time so that I can sort them out. The hon. member for Vancouver South asked how many members of his party were paired. I am not prepared to say at the moment, but it is on the record.

Mr. GREEN: That upsets your whole argument.

Mr. ZAPLITNY: We will start the whole story once again from "once upon a time." Nine members of the Progressive Conservative party voted for the amendment of their leader, and the rest were either paired or absent from the house.

Mr. MacNICOL: The ones who were paired could not be absent.

Mr. TUSTIN: Would it not be fair to say that 47 members of the Progressive Conservative party were present?

Mr. ROSS (Souris): That is all on *Hansard*.

Mr. ZAPLITNY: All I was attempting to do was to set the record straight.

Mr. STIRLING: Set it straight, then.

Mr. ZAPLITNY: But if my hon. friends do not wish me to do that, I shall go no further.

Mr. MERRITT: Is the motion to adjourn the house to discuss a shortage of farm machinery in western Canada, or to discuss division lists?

Mr. ROSS (Souris): If the hon. member for Dauphin will look at page 1874 of *Hansard* he will find the whole story there.

Mr. ZAPLITNY: I have been discussing this shortage of farm implements; and I referred to how the Progressive Conservative members voted for their leader's amendment, because the hon. member for Souris (Mr. Ross) had said that the members of this group had not supported them on that particular amendment. I thought it was my duty to set the record straight.

Mr. MacKINNON: You certainly have.

Mr. STIRLING: He has not.

Mr. ZAPLITNY: The Progressive Conservative amendment was simply a want of confidence motion, and the members of the Progressive Conservative party should have been here to support their leader's motion.

Mr. SPEAKER: I am sorry to interrupt the hon. member, but I must remind him that the motion before the house is for adjournment to discuss a matter of urgent public importance, namely, the serious situation in western Canada with respect to shortage of suitable farm machinery. I would ask that the hon. member's remarks be relevant to the motion before the house.

Mr. ZAPLITNY: I shall be glad to comply with your ruling, Mr. Speaker. We in this group are not objecting to exports from Canada of farm implements or anything else that we can spare, but we do say that if the export of farm implements at this time is in such volume that it may, and it is quite evident that it may, result in a wastage of food in Canada, it might be better for the government to take cognizance of that and take immediate action to make available to our farmers the implements which are necessary to gather in an abundant crop.

Mr. J. A. CHARLTON (Brant): Mr. Speaker, I wish to say a few words in support of the motion of the hon. member for Melfort (Mr. Wright). I do not want it to be thought that the western part of Canada is the only part of this country that is short of implements. Instead of the shortage being merely a western problem, it is a national catastrophe. It has been brought about by the shortsighted policy of the government in granting export licences for such a large percentage of our farm implements. True, we want an export market, but surely we do not want it at the disadvantage of our own Canadian producers, especially in view of the great scarcity of farm labour this year. Even though some people may not realize it, crops that are ready to harvest will not wait. If I may be pardoned a personal reference, I have had a 15-run fertilizer hoe drill on order for three years, and up to this spring it was not available. I had to get a disc drill to take its place; otherwise I would have had no drill at all.

[Mr. J. A. Ross.]

Here is another special case. A man had a tractor ordered for two years, and he had already bought some of the implements to go with that tractor. Being assured that the tractor would be available in 1946, he sold his last team of horses last fall. He has not received the tractor, and only for his good fortune in being able to borrow one from a neighbour was he able to save half a canning factory pea crop. I can cite dozens of other cases in my own community where people have been working at a great disadvantage on account of the shortage of agricultural implements.

We are told that the shortage is caused by strikes, shortages of materials and so an, but we find on investigation that a little more than $14,000,000 worth of implements were exported from this country in the first six months of 1946. The present situation is not the result of shortages. It is the result of the shortsighted policy of this government in allowing that volume of implements to be exported when we are in terrible need of them right here at home. Why is this so? The reason is obvious when you compare the prices of these implements in Canada with the prices procured for them in various foreign countries. I say to the government that even at this late date it may still save part of the crop in western Canada and eastern Canada by allowing some of these implements destined for export to be retained to meet the domestic demand.

Mr. F. W. TOWNLEY-SMITH (North Battleford): Mr. Speaker, the motion calls attention to the urgency of the need of farm machinery in order to take off this year's crop. The discussion has wandered all over the well-known half acre. The amazing thing to me is that there should be any argument or debate about this at all. It is a condition which could have been and should have been anticipated and taken care of by the government, but this was not done.

To come right back to the actual matter. Does anyone argue about the importance of food? I do not think so. Does anyone argue that the western crop is not heavy? I do not think so. Does anyone argue that it is not within a few days of being harvested? Again I do not think so. Does anyone argue that in the west machines are not badly worn and badly in need of replacement? No argument has been made about these matters. That is really the subject matter of the motion—the need of more machinery, of new machinery. Instead of that, we get into an abstract discussion or debate on our export trade, and even at that we discuss principally exports into the United States. The statement has been made to-day that some seventy-one countries

were receiving Canadian machinery, that exports were being made to all those countries. Well, what about the other sixty-nine, if we are just discussing exports into the United States and to those countries which have been devastated by war? The need for these machines is undoubtedly very great. The fact that the crop is heavy simply aggravates the situation, because a machine which is capable of taking care of a farm crop of ordinary, normal proportions is not able to cut a crop which is extraordinarily heavy; and I fear that as soon as harvesting operations begin there will be great distress among the farmers who are attempting to use worn-out machines.

My suggestion is that, since the situation in the United States is practically cared for now—at the end of July and beginning of August all arrangements for their harvest have been made, they have the machines, and if they have not got them they have managed in some way without them—the urgency which you, Mr. Speaker, are allowing us to discuss is in our own country, and for the time being, anyway, the great concentration should be on our own particular problem, for which purpose we should stop exports for the present and see to it that the west is supplied with the machines which, I believe, are necessary in order to take off this most important crop.

Mr. P. E. WRIGHT (Melfort): In rising to withdraw my motion, Mr. Speaker, I wish to thank you very much for having given the house the opportunity of discussing this matter. That was my sole object in bringing it up now—that the urgency of this matter should be brought to the attention of the house and of the country. I assure you that I do not wish to see the poor people of Europe described by the hon. member for Rosthern (Mr. Tucker) starve; rather I was trying to point out the way in which we could secure more food for them. Nor was I endeavouring to antagonize our good friends to the south, as suggested by the Minister of Reconstruction and Supply (Mr. Howe). I was merely trying to draw attention to the urgency of the matter.

Motion (Mr. Wright) withdrawn.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

CANADIAN NATIONAL RAILWAYS—FREIGHT RATES

Mr. ISNOR:

1. Has the Canadian National Railways made an application to seek upwards of a 25 per cent increase in freight rates?

2. If so, is it necessary to have approval from (a) the transport commission; (b) from the wartime prices and trade board?

Mr. CHEVRIER: The board of transport commissioners advise as follows:—

1. No application has been made to the board by the Canadian National Railways to increase domestic freight rates between points in Canada.

2. Answered by No. 1.

OFFICIAL SECRETS ACT—SAM CARR

Mr. DIEFENBAKER:

1. When was Sam Carr (also known as Kogan), mentioned in the report of the royal commission on espionage, first granted naturalization in Canada?

2. (a) Was this certificate afterwards revoked; (b) if so, when, and for what reasons?

3. (a) Did Sam Carr thereafter make an application for naturalization; (b) if so, when; (c) who furnished him with letters of reference as to his good character; (d) in addition to these letters did any other person write letters of recommendation? If so, who?

Mr. MARTIN: In tabling this information I also wish to table reply to the same question put to me some time ago by the hon. member for Vegreville.

Mr. SPEAKER: Answered.

MEXICO TRAMWAYS COMPANY

Mr. COLDWELL:

1. Have any representations been made by the Canadian government to the Mexican government on the subject of the Mexico Tramways Company?

2. If so, what is the nature of these representations?

Mr. ST. LAURENT: 1 and 2. The Canadian embassy has discussed with the Mexican authorities the difficulties being experienced by the Mexico Tramways company. The embassy has not, however, proposed or advocated any specific solution for the problem, although it has been indicated that the Canadian government assumes that just and reasonable consideration will be given to the Canadian interests concerned.

NATIONAL FILM BOARD

Mr. FRASER:

1. How many employees of the National Film Board are Canadian citizens?

2. Are there any employees of the National Film Board who are not British subjects? If so, how many?

Mr. McCANN:

1. Of the 726 persons employed by the national film board, 710 are Canadian citizens.

2. Yes. There are nine, employed as follows:

Ottawa—1 Motion picture cameraman (United States citizen); 1 stills photographer,

1 motion picture producer and 1 production assistant (United States citizens) who served overseas with the Canadian armed forces.

United States—1 distribution officer (Chicago); 1 stenographer (Chicago); 1 office boy (New York).

Mexico—1 Spanish-speaking secretary; 1 Spanish-speaking messenger.

HIGH COMMISSIONER TO EIRE

Mr. GRAYDON:

Has the government appointed a high commissioner to Eire to succeed the late Merchant Mahoney, C.B.E.?

Mr. ST. LAURENT: The government has not yet appointed a new high commissioner to Ireland to succeed Mr. Mahoney.

PASSENGER COMMUTATION RATES—TORONTO

Mr. GRAYDON:

1. From what railway stations are passenger commutation rates to Toronto in effect?

2. What are the mileages from Toronto and the commutation rates in the case of each of such stations?

Mr. CHEVRIER:

1 and 2. The board of transport commissioners advise as follows:

Canadian National Railways

Between Toronto and	Miles	10-trip tickets	20-trip tickets	40-trip scholar tickets	50-trip tickets
Cedarhurst	61·9	$15 50	$ —	$ —	$ —
Clarkson's	16·1	4 00	5 50	3 00	6 80
Danforth	5·3	1 50	2 05	3 00	3 75
Downsview	8·0	2 00	2 75	3 00	3 75
Dixie Road	10·2	2 50	3 45	3 00	4 25
Lakeview	11·1	2 75	3 80	3 00	4 65
Lefroy	51·8	13 00	—	—	—
Long Branch	8·8	2 25	3 10	3 00	3 80
Lorne Park	15·0	3 75	5 15	3 00	6 35
Maple Beach	59·9	15 00	—	—	—
Mimico	6·8	1 75	2 40	3 00	3 75
Oakville	21·4	5 50	7 60	3 75	9 35
Oriole	11·2	3 00	—	—	—
Parkdale	2·4	75	1 50	3 00	3 75
Port Bolster	57·9	14 75	—	—	—
Port Credit	12·8	3 25	4 50	3 00	5 50
Port Union	16·3	4 25	5 85	3 00	7 20
Riverdale	2·2	75	1 50	3 00	3 75
St. Clair Avenue	5·2	1 50	2 05	3 00	3 75
Scarboro	8·9	2 25	3 10	3 00	3 80
Sunnyside	3·5	1 00	1 50	3 00	3 75
Weston	8·6	2 25	3 10	3 00	3 80
West Toronto	5·0	1 25	1 70	3 00	3 75

Canadian Pacific Railway

Don	2·0	50	1 00	2 00	2 50
West Toronto	4·5	1 25	1 70	3 00	3 75
Weston	8·3	2 25	3 10	3 00	3 80
Lambton	6·4	1 75	2 40	3 00	3 75
Islington	8·7	2 25	3 10	3 00	3 80
Summerville	10·9	2 75	3 80	3 00	4 65
Dixie	12·6	3 25	4 50	3 00	5 50
Cooksville	14·2	3 75	5 15	3 00	6 35
Erindale	17·3	4 50	6 20	3 05	7 65

POST OFFICES IN ROYAL CONSTITUENCY

Mr. BROOKS:

1. What was the revenue for the fiscal years ending March 31, 1943, 1944 and 1945 of the following post offices in the constituency of Royal; Chipman, Gagetown, Norton and Rothesay?

2. How large a revenue is required before recommendations are made for the construction of a post office building in incorporated or other villages?

Mr. BERTRAND (Laurier):

1.	1943	1944	1945
Chipman, N.B.	$6,057.47	$7,625.88	$8,163.92
Gagetown, N.B.	2,276.90	2,967.19	3,199.40
Norton, N.B.	3,425.37	4,586.41	4,896.92
Rothesay, N.B.	5,238.48	6,174.73	7,270.76

2. It is the present general policy of the Post Office Department to recommend to the Department of Public Works the construction of public buildings for post office purposes only when the postal revenue for the previous fiscal year is over $10,000 and where it is reasonably certain that the revenue will be maintained at that figure.

NATIONAL FILM BOARD—32MM. MACHINES

Mr. FRASER:

1. Did the National Film Board buy two 32 mm. machines in 1944?
2. If so, from what firm, or individual, did they buy these machines?
3. Were these machines new or used?
4. Was part of the National Film Board shut down for part of the summer of 1944 while these two machines were being set up?
5. During the time that these two machines were being installed, what contracts, if any, were given to outside firms?
6. What footage did each contract cover?
7. With what firms were contracts made?
8. What was contract price in each case?

Mr. McCANN:

1. No. One 35mm. positive developing machine was purchased in 1943. Initial payment was made in 1942 and final payment in 1943. The existing negative developing machine was rebuilt.

2. The 35mm. positive developing machine was purchased from General Pattern and Model Co., East 140th St. and Walton Ave., New York City.

3. The machine was new and built according to required specifications.

4. There was no shut down in the laboratory in 1944 but the laboratory was partially closed from August 15, 1943 until December 7, 1943. The installation of the new machine gave an opportunity for the redesigning of the circulating system, the centralization of the chemical mixing and the installation of a process control room. In general the laboratory was modernized.

5. No contracts for processing of footage were given to outside firms. Purchase orders were placed as required.

6. Purchase orders sent out by the laboratory totalled 1,197,661 feet at Associated Screen News, Montreal and 85,292 feet at Film Laboratories of Canada, Toronto.

7. Orders were placed with Associated Screen News in Montreal and Film Laboratories of Canada in Toronto.

8. Purchase price in each case was the standard commercial rate offered by these companies: 16 mm. B. & W. composite, 2¼c per ft.; 35 mm. B. & W. composite—1st print, 4c per ft.; 35 mm. B. & W. composite release, 2¾c per ft.; 35 mm. B. & W. from negative, 4c per ft.; 35 mm. duplicating positive, 5c per ft.; 35 mm. duplicating negative from lavender, 6c per ft.; 35 mm. lavender, 4c per ft.; 35 mm. fine grain duplicating negative, 6c per ft.; 35 mm. developing duplicating negative, 1½c per ft.; 35 mm. developing sound track, 1½c per ft.

NATIONAL FILM BOARD—TAXICAB ACCOUNTS

Mr. FRASER:

1. Did the National Film Board pay taxicab accounts for Mr. Grierson or Mr. Legg during the time these men were employed by the National Film Board?
2. If so, to whom were these taxi accounts paid?
3. What was the amount in the case of each of the above named men?

Mr. McCANN:

1. Yes.

2. In Ottawa payments were made to Buske's taxi, Red Line taxi, Gibson's taxi and Landreville taxi.

3. Taxi charges for Mr. Grierson in Ottawa totalled $1,090.15, and outside of Ottawa $1,370.39 during the period September, 1940, to October 31, 1945.

Taxi charges for Mr. Legg in Ottawa totalled $623.94, and outside of Ottawa $395.80 during the period September, 1940, to April 2, 1946.

AMBASSADORS AND FOREIGN MINISTERS

Mr. GRAYDON:

1. How many Canadian ambassadorial and ministerial posts in countries outside of the British commonwealth remain vacant?
2. What are the names of such countries and for how long had the vacancy in each instance existed?

Mr. ST. LAURENT:

1. One.

2. The Canadian embassy in Chile has been headed by a Chargé d'Affaires since the departure of Mr. W. F. Chipman, K.C., on August 21, 1945, to assume his new post as Canadian ambassador to Argentina.

TAXES ON DISTILLERIES AND MALTSTERS

Mr. McCULLOUGH (Assiniboia):

1. What was the total revenue from tax on distilleries for the years 1939, 1940, 1941, 1942, 1943, 1944 and 1945?
2. What was the total revenue from tax on maltsters for the years 1939, 1940, 1941, 1942, 1943, 1944 and 1945?

Mr. McCANN:

1. Apart from sales tax, the total revenue from tax on distilleries during the years mentioned was nil. It is impossible to state the amount of sales tax paid by distilleries for this is not kept separate. The amounts of excise duty paid year by year were as follows:

1939	$ 9,929,585
1940	12,478,114
1941	17,695,951
1942	21,994,307
1943	31,612,277
1944	30,908,236
1945	31,576,776

2. The same remarks apply to question 2. The amounts of excise duty paid year by year were as follows:

1939	$ 8,177,299
1940	11,405,151
1941	16,801,740
1942	25,241,291
1943	33,952,237
1944	35,080,381
1945	35,121,290

GULF OF GEORGIA—SEINE AREA NO. 17

Mr. REID:

1. Have any representations been made to the Hon. Minister of Fisheries requesting the enlarging or opening up seine area No. 17 in the Gulf of Georgia, for the operation of seine fishing during the fishing season of 1946?
2. If so, what are the names of individuals, companies or associations who have made such representations?

Mr. BRIDGES:

1. Representations have been made to the Department of Fisheries.
2. Salmon Canners' Operating Committee, Vancouver, B.C.; Fishing Vessel Owners' Association, Vancouver, B.C.; United Fishermen and Allied Workers' Union, Vancouver, B.C.

QUESTIONS PASSED AS ORDERS FOR RETURNS

CANADIAN REPRESENTATION IN INDIA

Mr. GRAYDON:

1. Has Canada any representation in India through its departments of Trade and Commerce and/or External Affairs?
2. If so, what is the nature of such representation and who are our representatives?

[Mr. St. Laurent.]

VETERANS AFFAIRS—LEGAL SERVICES—W. C. THOMSON, K.C.

Mr. HOMUTH:

What fees have been paid to W. C. Thomson, K.C., 21 Lombard street, Toronto, by the Department of Veterans Affairs for each month since he has handled the department's land transfers?

MOTIONS FOR PAPERS

GULF OF GEORGIA—SEINE AREA NO. 17

Mr. REID:

For a copy of all correspondence, telegrams and other documents forwarded to the Hon. Minister of Fisheries in regard to the enlarging or opening up of seine area No. 17, in the Gulf of Georgia, for the operation of seine fishing during the fishing season of 1946?

Mr. REID: With regard to this notice, with the permission of the house I should like to add the words, after "the Hon. Minister of Fisheries", "and any of his officials."

Mr. MARTIN: Perhaps in the absence of the Minister of Fisheries the hon. member will allow this to stand.

Mr. SPEAKER: Stand.

REDISTRIBUTION—AMENDMENTS TO BRITISH NORTH AMERICA ACT

Mr. BLACK (Cumberland):

For a copy of all correspondence and other documents exchanged between the federal government and the provincial governments, since the census of 1941, relative to amendments to the British North America Act and the redistribution of seats in the House of Commons.

Mr. ST. LAURENT: As I understand the hon. member's question, it refers to correspondence dealing with amendments to the British North America Act on the subject of redistribution. On that understanding there would be no objection to the motion being passed; otherwise it would require that every department make a long search of all its files to see if there have not been suggestions of possible amendments to the British North America Act in respect of other matters. As an illustration, my department has had correspondence with attorneys-general with respect to the possibility of making some provision for fixing a retiring age of judges. The terms of the motion seem a little ambiguous, but if we are to understand that it refers to such correspondence as may have dealt with the problem of redistribution it can be passed.

Mr. BROOKS: The hon. member for Cumberland is not here, but I understand that that was his intention.

Mr. ST. LAURENT: Then perhaps it can be passed with the understanding that that is what it refers to, and if he wishes something else he can make another motion.

Motion agreed to.

EXTERNAL AFFAIRS

REFERENCE OF CERTAIN ESTIMATES TO COMMITTEE OF SUPPLY

Hon. DOUGLAS ABBOTT (Minister of National Defence): With the permission of the house, Mr. Speaker, I should like to revert to motions, and to move, seconded by Mr. Chevrier:

That items Nos. 41 to 56, both inclusive, of the estimates for 1946-47, approved and reported upon by the standing committee on external affairs, be referred to the committee of supply.

Mr. GORDON GRAYDON (Peel): Mr. Speaker, may I rise in connection with this matter of the report from the external affairs committee. This, I believe, is the first occasion on which the House of Commons has referred to a standing committee ordinary estimates relating to a department, and the point I desire to make is this. I am querying the procedure. It may be that it is correct, but I had thought that on the motion for concurrence in the report, which has been presented only to-day, these estimates would be dealt with instead of being sent to the committee of supply. I do not wish to raise a question at this time except as a form of notice, because I am not quite sure of my ground, and I doubt very much whether the government itself is, since this is a new problem and presents a new issue. Those who are responsible in matters of this kind, together with Your Honour, would perhaps look into the question. What we do here may be regarded as a precedent in the years that lie ahead, because no doubt as time goes on more estimates will be referred to standing committees. I suggest therefore that we ought to have the procedure delineated and clarified at the beginning.

Hon. IAN A MACKENZIE (Minister of Veterans Affairs): I understand the procedure to be this. The Department of External Affairs as such is not yet in supply, and only when it is in supply can these estimates be properly referred to supply.

Motion agreed to.

CANADIANS HELD BY GOVERNMENT OF YUGOSLAVIA

On the orders of the day:

Right Hon. L. S. ST. LAURENT (Acting Prime Minister): The hon. member for Peel (Mr. Graydon) referred yesterday to a report in the press that the minister of state of the United Kingdom had said in the House of Commons in London that he understood that five Canadians were among the British subjects at present held by the Yugoslav government. I informed the hon. member that I would look into this matter and try to let him have some information to-day.

The reported statement by Mr. Noel Baker coincides with information available here. Five persons who are Canadian nationals are at present known to be in internment in Yugoslavia. These persons are:

Mrs. Nick (Anna) Schwartz and daughter Hilga.
Miss Barbara Mueller.
Mrs. Mathias (Katharina) Dorner and daughter Catherine.

Of these persons, all except Catherine Dorner were born in Yugoslavia, and all are dual nationals—that is, all are Yugoslav citizens under Yugoslav law as well as Canadian nationals under Canadian law. It is understood that the Yugoslav government has interned all Yugoslav citizens of German race.

The repatriation of these five persons to Canada has been authorized, and the British embassy in Belgrade has been requested to ask the Yugoslav government to release them for such repatriation. The house will appreciate, however, that a case of this kind, where the persons involved are also citizens of the state in which they are held, is very different from a case in which a foreign government is holding persons who are aliens under its own laws.

Mr. GRAYDON: Has the Acting Prime Minister any information as to the place of residence in Canada of any of the five persons mentioned?

Mr. ST. LAURENT: No, I have not. They were in Yugoslavia and were interned while residing there, at least temporarily, and because of their dual nationality an intervention on their behalf has been made for the Canadian government by the British embassy at Belgrade.

PUBLIC WORKS

DISTURBANCE CAUSED BY AIR DRILLS OPERATING AT NIGHT

On the orders of the day:

Mr. G. RUSSELL BOUCHER (Carleton): May I ask the Minister of Public Works whether steps can be taken immediately to discontinue the nightly nuisance caused in the vicinity of the Chateau Laurier by the working of air drills on the streets at Confederation square? This nightly nuisance unduly disturbs

our tourists and guests, including members of this august parliament, in their midnight slumbers. Possibly the temper of this chamber is being damaged thereby.

Mr. PEARKES: On a question of privilege, may I say that I am convinced that my efficiency as a member of parliament is seriously curtailed by this nightly torture, which is reminiscent only of a dentist's chair, and I have no intention of supporting any vote for the federal district until the noise stops.

Hon. ALPHONSE FOURNIER (Minister of Public Works): I sincerely hope hon. members do not blame the Minister of Public Works for all that noise. I am probably the most quiet man in this chamber. I have just received notice of the question and am having an inquiry made. I do not know personally about the noise, nor have I any personal knowledge whether the work is being done under my department. In fact I have no personal knowledge of any of these things, because after midnight I am generally not in Ottawa.

IMMIGRATION

ADMISSION TO CANADA OF MEMBERS OF POLISH ARMY

On the orders of the day:

Right Hon. L. S. ST. LAURENT (Acting Prime Minister): Since I answered the question of the hon. member for Peterborough West (Mr. Fraser) concerning the movement to Canada of 4,000 Polish army men, further information obtained from the office of the high commissioner in London has been received, and I am now able to say that arrangements being made for the movement of these Polish army men are for shipping that is to be in addition to all that had been previously arranged, and that there is no question of this shipping reducing the tonnage to be available to the Canadian government for other purposes.

ROYAL MILITARY COLLEGE

REPORT OF COMMITTEE UNDER BRIGADIER LETT

On the orders of the day:

Mr. D. G. ROSS (St. Paul's): I wish to direct to the Minister of National Defence a question, notice of which, I am sorry to say, I have not given him. I understand there is a committee sitting under Brigadier Lett in connection with the future of the royal military college. Has the minister any report in that regard?

[Mr. Boucher.]

Hon. DOUGLAS ABBOTT (Minister of National Defence): Yes. The committee was under the chairmanship of Brigadier Sherwood Lett of Vancouver, a very distinguished soldier. It has made its report, but owing to pressure of other work I have not yet had an opportunity of giving it full consideration. That will be done in due course.

PARIS PEACE CONFERENCE

REQUEST FOR COPIES OF PROPOSED TREATIES WITH FORMER ENEMY COUNTRIES

On the orders of the day:

Mr. GORDON GRAYDON (Peel): In view of the interest, which is very widespread, in the proposals being made by the allied powers with respect to the peace treaties of five ex-enemy countries in Europe, I wonder whether the Acting Secretary of State for External Affairs could arrange to have those proposed peace treaties incorporated in some form so that the members of the house may be enabled to read them concurrently with the discussions and deliberations that are taking place in Paris. Everyone is intensely interested in the matter, and only newspaper reports are available at the moment. I suggest that members of parliament ought to have in their possession something official, if that is at all possible and convenient to the government.

Right Hon. L. S. ST. LAURENT (Acting Secretary of State for External Affairs): I shall be glad to make inquiries and to endeavour to accommodate hon. members to the greatest possible extent in that regard.

DOMINION-PROVINCIAL RELATIONS

ACTION AS TO AGREEMENTS IN ABSENCE OF PRIME MINISTER AND MINISTER OF FINANCE

On the orders of the day:

Mr. W. CHESTER S. McLURE (Queens): Arising out of a letter I received to-day, I wish to direct a question to the leader of the house. During the absence of the Prime Minister and the Minister of Finance will the Minister of Justice and the Acting Minister of Finance be in a position to deal with the provinces regarding agreements on dominion-provincial matters?

Hon. DOUGLAS ABBOTT (Acting Minister of Finance): The answer is yes.

EXTRADITION

TREATY BETWEEN CANADA AND THE UNITED STATES

On the orders of the day:

Mr. JOHN T. HACKETT (Stanstead): I wish to ask the Acting Secretary of State for External Affairs whether he has any further information concerning a treaty which very directly affects my constituents; I refer to the extradition treaty between the United States and Canada.

Right Hon. L. S. ST. LAURENT (Acting Secretary of State for External Affairs): This is the first reference I have heard to that treaty for several weeks, but I shall be glad to take the question as a notice and make inquiries and find out what is the present situation.

PENSION ACT

ENLARGEMENT OF SCOPE AND APPLICATION—REORGANIZATION OF COMMISSION

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs) moved the second reading of bill No. 329, to amend the Pension Act.

He said: Since I dealt with this matter yesterday I have just two words to say. In the first place I believe the committee on veterans affairs practically unanimous in regard to at least the general principles of this legislation. In the second place the hon. member for Rosthern (Mr. Tucker), the parliamentary assistant, will have the honour to direct and pilot the legislation through the house.

Mr. A. J. BROOKS (Royal): Yesterday the minister made a concise statement with reference to the matters which had been before the veterans committee. As he indicated, these matters have been carefully considered for many weeks. We did come to an agreement as to the procedure to be followed with reference to these bills. We agreed that any discussion which took place would be not on the resolutions but on second reading.

As the minister pointed out, this has been a long and tedious task for the members of the committee. We met sometimes two and three times a day. Speaking for myself—and I know that my experience was that of every other hon. member of the committee—I found it difficult at times to carry on other duties so far as the House of Commons was concerned.

The minister will agree that we were not unanimous on all bills. Neither was the committee unanimous on all the recommendations with respect to individual bills. I think I can say with regard to some of the bills that possibly there was unanimous consent. Others were carried by the majority vote of the committee. While still others had the majority support of the committee, they were changed to suit the will and pleasure of the government. That is a fair statement to make.

I agree with the minister that a prolonged discussion of these bills is unnecessary. These matters have been discussed in the committee for some weeks. All the arguments pro and con have been advanced, and they can be found in the reports of the committee. However, there are certain things which hon. members would like to mention in the house. I was much interested yesterday afternoon in the minister's remarks. Since I was a member of the committee I was pleased with the eulogy he paid to the work of the committee. I am also looking forward to the presentation of the medals to which the minister says the members are deserving. I should also like to point out that while the minister rather takes all the credit for the veterans' charter—

Mr. MACKENZIE: Oh, no.

Mr. BROOKS: Not to himself, no. While he gives credit for it to the committee, and possibly to his own actions as minister over the last number of years, I think in all modesty that we cannot take all the credit. This veterans' charter is not the product of the present committee; it is the product of many years of work of committees which have met in the past. Take our Pension Act as an example. It is not the product of the work of the 1946 committee. As a matter of fact we made few changes in it. The Pension Act has been an evolution from 1916, when the first committee was set up, down to the present time. Hundreds of members of different parliaments who sat on previous committees also deserve credit for this so-called veterans' charter. Credit is also due to organizations entirely outside of parliament. I wish to pay tribute to the men of the Canadian Legion. I believe there would be no veterans' charter to-day if it were left entirely to the members of the House of Commons. The results of our work have been based partly on the recommendations made by the Canadian Legion, the Canadian Corps Association, and the Amputations Association. I could mention the Canadian army and navy veterans association and many others which have contributed to a great extent to this so-called veterans' charter of which the minister spoke yesterday.

As to its being the finest committee that has sat, I will agree with that, but in reading over the names of some of the men who have headed committees in the past I must say that I have been greatly impressed by their stature both in public and in private life. There was Mr. W. F. Nickle, an outstanding man in his

time. There was Mr. Newton W. Rowell, an outstanding man of his time, Mr. Hume Cronyn, Sir Herbert Marler, the Hon. Cyrus Macmillan, the hon. member for Quebec South (Mr. Power), also a member of this committee. May I also add, Mr. Speaker, that he is an hon. member who had the affection of the soldiers of the last war and has at least the affection of the men of the air force of this war. Therefore we cannot claim all the credit when we consider the names of the men who have worked hard on committees in the past.

The minister paid a tribute to our chairman. We all enjoyed working under the chairman. We did not always agree with him. Sometimes we were afraid that he might blow up, but fortunately it did not happen. I will agree that he is deserving of a medal. I would also suggest that not only is he deserving of a medal in the work he did in the veterans' committee, but he should get a bar to his medal for going out to lead the Liberal party in Saskatchewan.

Mr. MacNICOL: He ought to get the V.C. for that.

Mr. GRAYDON: That is a great act of bravery.

Mr. BROOKS: It is not my intention to review, as the minister did yesterday, all the legislation which is to come before us. We have the Pension Act before us at the present time. The introduction of the Pension Act creates great interest not only here but also throughout the country, because it is the expression, through its representatives, of Canada's intention to provide for those who have suffered most in the defence of this country and of civilization. In their gratitude the Canadian people should feel, and I am sure do feel, that the best is none too good. We sometimes compare our veterans' legislation and our Pension Act with the legislation of other countries, and perhaps make comparisons without knowing the facts. I am not going to belittle Canadian legislation relating to veterans; I think possibly it is as good as the legislation anywhere in the world. Not long ago I read an article in a United States magazine in which it was claimed that they had the best legislation, so perhaps it is a case of each man thinking his own home is the best. However, I am satisfied that our legislation is good. It should be. There is no reason why Canada should not make provision as good as if not better than that of any other country in the world, because I believe Canada came through the war better than any other country. That is so for many reasons. In the first place, of course, we were a long distance from the scene of conflict and had no cities or towns destroyed. Our countryside was not devastated. Apart from the great loss we suffered in young manhood, Canada was not greatly disturbed or greatly troubled. So perhaps when we compare our legislation with that of Great Britain, whose cities were devastated from one end of the country to the other; with that of France or Holland or Belgium, or the enemy countries of Italy and Germany, we are not actually comparing comparable things. So I say there is no reason at all why we should not have the finest veterans legislation anywhere in the world.

This legislation, I believe, can be divided into two distinct classes. First, and very important, is the legislation providing for the men who returned to this country sound in body and in mind. These are the young men who went over to fight our battles and who returned to take their place in civilian life. We have passed a good deal of legislation affecting these young men; but I sometimes wonder what is their reaction when, after fighting overseas for five years or more, a year after the end of the war they find the present chaotic condition in regard to labour and industry. I am not going to blame either industry or labour for this situation, since a committee of this house is considering the matter at the present time, but it must be the subject of serious thought on the part of these young men who gave years of their lives in the defence of liberty to find a certain amount of chaos in the country, with more in prospect. There are two things in particular which these young men want. They lost four or five years of their lives as far as education is concerned, and it is the duty of the government, the duty of the people of Canada, to see that they are provided with educational opportunities. This is being done in a large way by the government and the country; but the principal thing a young man wants, coming back to Canada to-day, is the opportunity to earn a living. We sometimes hear irresponsible people, both ex-soldiers and civilians, say, "Oh, the country owes me a living." The country does not owe any man a living. The country does owe every young man and woman in this country an opportunity to make a living. It also owes them an opportunity to establish homes for themselves, where they can bring up their children with proper educational facilities and in pleasant surroundings. These are the two things which I believe should be kept in mind in regard to the reestablishment of our young men who have returned from the war.

The second and probably most important class of legislation deals with the men who have come back maimed in body and mind, and the dependents of those who lost their lives overseas. They are supposed to be protected by the Pension Act and its amendment. It would take me a long time to go into the different sections of this act and comment upon them; as a matter of fact we received it only a few minutes ago. Yesterday the minister emphasized that one great principle was to be included in the act; that is, the insurance principle. We remember that this principle formed part of the Pension Act for a great many years. It was first enacted in 1919, and was removed in 1940. So while this insurance principle is perhaps the most important feature of this legislation and the most important thing to be done in connection with pension legislation by the committee, we are simply restoring something which was in the act from 1919 to 1940.

There are two principles in connection with Canadian pensions, and I should like to quote something that was said in connection with the 1919 legislation:

> The so-called insurance principle. On this basis ex-members of the forces were pensioned not only for any disability "attributable to military service," but as well for any disability "incurred on" service.

That is the explanation of the insurance principle.

> Canada insured her soldiers for all disabilities incurred by them during their service period . . .

Commenting on that principle Mr. Rowell said:

> Our law as it stands is broader than the pension law in any other country, so far as we know. The insurance feature which I have mentioned is not in any other law, so far as I am aware. In that respect we give the soldier the benefit of insurance during the whole period of the war.

That was the attitude in 1919.

Mr. MACKENZIE: That was Mr. Lemieux and Mr. Rowell, in the 1919 committee.

Mr. BROOKS: And I may say that early in the proceedings of the committee dealing with the Pension Act I moved that the insurance principle be restored. That motion was generally supported by hon. members, and though we were left in doubt by the government for a considerable time, eventually the principle found its way back into the act, and I am sure everyone is very pleased as a result.

Another point gave us considerable concern in the committee, where it was debated on numerous occasions by the hon. member for Vancouver South (Mr. Green) and others, having to do with section 11(1)(c) of the act, reading as follows:

> No deduction shall be made from the degree of actual disability of any member of the forces, who has served in a theatre of actual war during the great war or during the war with the German Reich, on account of any disability or disabling condition which existed in him prior to his period of service in either of the aforesaid wars.

Then it goes on to mention three exceptions:

> . . . no pension shall be paid for a disability or disabling condition which, at the time he became a member of the forces, was wilfully concealed, was obvious or was recorded on medical examination prior to enlistment.

There was no exception taken, but the committee felt, and I think they were expressing the opinion of most returned men, that the phrase "wilfully concealed" should be struck out of the act, and it was so moved by the hon. member for Vancouver South. I believe the committee carried that motion but the department did not feel that this could be done. However, there was a compromise and I see that in the bill, instead of the phrase "wilfully concealed", we have the phrase "wilfully and deliberately concealed." I understood from the members of the commission when this matter was being discussed before the committee that they did not like the words "wilfully concealed." However, apparently they have adopted some *modus operandi,* if I may call it that, and while a certain stigma against a returned soldier intimating he was concealing something might be implied, I think they got around it in some way in actually carrying out the intentions of the act. I am sorry it is not being taken out now, and I hope at some time in the future it shall be taken from the act.

Another point brought up was in connection with the dateline. I was pleased to hear the minister say yesterday that as far as children of veterans are concerned there will be no dateline with regard to the granting of pensions.

Mr. MACKENZIE: We can thank the hon. member for Nanaimo (Mr. Pearkes) for that.

Mr. BROOKS: That is a fact, that is, provided that the parents are married before May 1, 1944. The minister will remember that this point was the cause of considerable controversy, because it was felt to be unfair that children born after that date should not be given the same opportunity as children born before. It is a matter of some disappointment that the dateline was not eliminated entirely from the act, that is, as it applies to widows as well as to children. There are

many veterans of the first war who are getting to be comparatively old men and who have lost their first wives. In their later days many of them feel that they would like to have companionship and they marry again. If a veteran marries a second time I do not see why his second wife should not receive the same consideration as a first wife.

We were met with the argument that there might be deathbed marriages, but in looking through the act I find that there is ample protection in that regard. Subsection 2 of section 32 provides that if the death of a husband has occurred less than one year subsequent to the date of marriage and the commission has information that at the time of such marriage he had a reasonable expectation of survival, for at least one year afterward, the matter shall be considered. That section provides for the non-payment of a pension where there is a deathbed marriage.

Another matter discussed extensively in the committee was the question of preenlistment condition. I do not intend to take up the time of the house this afternoon in discussing this matter, because there are other hon. members who will follow me and I am sure they will discuss it fully. There was also the question of the automatic increase in disability pension. Many members of the committee felt that not only should the man who suffered a gunshot wound and who was in receipt of a fifty per cent pension receive a higher entitlement on reaching the respective ages of 55 years, 57 years and 59 years, but that any man who had a disability, whether a gunshot wound or other impairment of health, should have his pension increased. This was not granted.

I should like to say a few words with reference to hospitalization. When overseas in 1942 and again for a short time in 1944 and 1945 I had the opportunity of visiting many of our military hospitals. I do not think I can pay too high a tribute to the work that was done in those hospitals. I think the lower casualties in the last war can be attributed more to the improved science of medicine and the treatment of wounds and disease than to anything else. In those hospitals we had the finest doctors and nurses that it was possible to get. I hope an effort will be made to get the same type of nurse and the same type of doctor for our veterans' hospitals as were in charge of our military hospitals.

There seems to be some overcrowding in the veterans' hospitals at the present time. The minister has increased greatly the number of beds in the different hospitals during the last few years, but there is still some overcrowding. I think it was shortsighted on the part of the government not to have certain hospitals ready immediately the war was over. We knew there would be a great need for hospitalization. For instance, the hospital in Toronto should have been completed before the war ended.

Large sums of money were expended upon building and equipping military hospitals throughout the country. For instance, three or four hundred thousand dollars were spent upon the military hospital located at Windsor, Nova Scotia. This hospital was located on diked land, and at times the dikes broke and water surrounded the area. The department was advised to build the hospital upon higher ground, but they did not do so. This was one of the best equipped military hospitals in the country. Doctors going overseas who inspected the hospital commented upon the splendid equipment. My submission is that hospitals such as the one at Windsor and those in other parts of Canada should have been built in locations where they could have been used as veterans' hospitals.

Mr. MACKENZIE: During the last four or five weeks we have taken over about fifteen military hospitals. I sent a list across to the hon. member for Vancouver South.

Mr. BROOKS: I know the department has taken over those hospitals, but my point is that certain hospitals such as the one at Windsor, Nova Scotia, were not built in the proper place. If that particular hospital had been built half a mile from its present location it would have been better suited as a veterans' hospital. I know the minister has taken over the hospital in my own town of Sussex, New Brunswick, which hospital has a very beautiful location and I am sure it will be popular.

Mr. MACKENZIE: I agree with that.

Mr. BROOKS: There is another matter which was not taken up in the veterans committee but which I think will have to receive the attention not only of parliament but of the country within the next few years. I refer to the plight of our older veterans. I believe there are some seven veterans' homes in Canada, but they are more or less for veterans who need hospitalization. I am referring to the older veteran, the man who perhaps is living alone in some isolated part of the country. There must be hundreds of them. I think we should do what other countries such as Great Britain and the United States have done, build homes in which our older veterans can live. Canada has been engaged in two major wars in the last thirty years, the first great war and the last great war.

It has perhaps not been necessary to have old soldiers' homes in this country hitherto, but I believe the time has now come when we should have homes where these older men can get together and be happy and discuss the battles of the past, or as Goldsmith said, shoulder their crutch and show how wars were won.

There is another matter to which I should like to refer; it has to do with my own section of the dominion. I want to read a statement made by Major General Burns as reported in the Montreal *Gazette* of July 4 of this year. Speaking of the rehabilitation programme he said:

> The department was satisfied with the rate of employment in its various districts across the dominion except for the maritimes, where veterans applying for out-of-work allowance were three times the proportion of elsewhere.
>
> The difficulty there appears to be, the general noted, that in certain regions conditions for employment will not improve particularly and, although some authorities had recommended a programme of public works for the area, the Department of Reconstruction has decided against such measure at the present time. The question that remained was whether migration to other areas should be encouraged.
>
> By the same token, veteran's preference has been effective right across the country except in the maritimes.

It will be noted that General Burns emphasizes four points in that statement. The first is that three times the number of veterans applied for out-of-work benefits in the maritime provinces than applied in other parts of Canada. That indicates one thing, that the opportunities for employment in the martime provinces are not nearly as great as they are in other parts of Canada. It means that we have three times as many veterans out of work in the martimes as there are in any other part of this country.

The second point was that while the authorities had recommended a programme of public works the Department of Reconstruction had decided against it. I have been surprised, Mr. Speaker, that with the amount of unemployment which there has been in Canada, and which there is to-day particularly in the maritimes, some programme of public works has not been started by this government and by the local governments in order to give these young men work.

His third statement was whether migration to other areas should be encouraged. That is a suggestion to which I am sure we in the maritime provinces take strong exception. For too long have our young men from the maritime provinces been migrating elsewhere. Of the class that graduated in engineering from the university of New Brunswick a few months ago, and it was one of the largest engineering classes they had ever had, only two young men could find employment in their native province. We of the maritime provinces want employment for our young people. We want them to have an opportunity to live and work and remain in their own province and not be forced to go to the United States, as tens of thousands of them have had to do in years past, or to the central provinces or to the west. We want them to stay in the maritime provinces. I do urge upon the government so far as that section of this country is concerned that some public works be started, and be started at once in order to retain the young men from the maritime provinces in their native land and in their own home. I could suggest many public works that could advantageously be started, but I will not take the time of the house to do it to-day.

The fourth point made by General Burns was that the veteran's preference has been effective right across the country except in the maritimes. That simply means that there is more attention paid to political appointments in the maritime provinces than to appointments based on the veteran's preference. I have had many communications with reference to different departments of the government where the veteran's preference is not being observed as it should be. I appeal to the government that in making appointments in all departments of the government the veteran's preference be given every consideration. Only a few days ago I had a letter from a lawyer in the maritime provinces, a man who had a very fine record overseas. He lives in quite a large town, but he gets no work in connection with the Veterans Land Act administration. He writes me that men who never saw service at all are doing all the legal work. This should not be. The returned soldier would rather deal with another returned soldier than with a civilian. I hope that the different departments will check up on this matter.

In closing I should like to pay a tribute to some of the heads of the different branches administering veterans' affairs. I believe that at the head of these branches and departments we have some of the best men it would be possible for us to obtain. I might mention Mr. Woods, the deputy minister of the Department of Veterans Affairs; General Burns, whose statement I have just quoted with respect to the maritimes—and let me say that I was not criticizing him when I quoted his statement because I think the department was fortunate indeed in getting such a man. I will also mention Brigadier Melville, Colonel Garneau and Mr. Murchison. I believe that they all have the interests of the veterans at heart. The difficulty is not

with the men at the head, but rather with the men spread across the country. Sometimes there is too much red tape and too much confusion.

I have nothing to add, Mr. Speaker, except to repeat that I hope that the veteran's preference will be very carefully considered in all appointments made in all the provinces.

Mr. JEAN-FRANÇOIS POULIOT (Temiscouata): Mr. Speaker, I wish to congratulate the hon. and gallant member for Royal (Mr. Brooks) upon his very fine speech. He has a fine military record, and he loves the soldiers. He himself has done a lot for them. I remember that on the civil service committee several years ago during two sessions he made some most valuable suggestions. I can say the same of my hon. friend the hon. member for Vancouver South (Mr. Green) who sits in front of him.

I shall not take very long, Mr. Speaker, to express what I have to say on this bill. But first I should like to pay a special tribute to the Minister of Veterans Affairs (Mr. Mackenzie). He is gifted with a very kind heart, and when there is some difficulty we may appeal to him in confidence of having the wrong redressed. I understand that his task is not always easy, but it is made less difficult by the excellent cooperation which he receives from his parliamentary assistant, the hon. member for Rosthern (Mr. Tucker). Both are good giants, giants in mind as well as in body; they work a lot; they know how to work—which is happening quite seldom in this vicinity—and they do their best to help others. But before going farther, I hope that the minister will be in a position to make an estimate of the approximate cost of these eleven bills. It will be quite heavy, and it is the kind of information which we should have.

Mr. MACKENZIE: This year, $850 million —$693 million in the main estimates, plus $175 million supplementaries.

Mr. POULIOT: Yes. This is where one large proportion of the taxes will go.

Mr. MACKENZIE: That is right.

Mr. POULIOT: Will it be $690 million next year?

Mr. MACKENZIE: No; it will be much less next year.

Mr. POULIOT: What will it be next year?

Mr. TUCKER: The total cost of the programme, not counting the pensions with respect to world war I, and one other item having to do with world war I, will be approximately $1,500 million for the whole programme of rehabilitation.

Mr. MACKENZIE: It is quite a lot.

Mr. POULIOT: It is a very large sum of money, but I would be better disposed to vote for it than to vote for the loan, and if the loan had not been made we would have had that much more to spend.

Mr. TUCKER: May I interrupt my hon. friend? That $1,500 million will be spread over the next six years, approximately.

Mr. NICHOLSON: Cannot we have both?

Mr. POULIOT: Well, I wonder. If my hon. friends like the taxes that the Canadian people will have to pay we could double it, just because of their liking taxation.

But there are unpopular measures which are necessary, and one, which was suggested years ago by the hon. member for Temiscouata, would be a check-up of all pensions of the first war. At the present time we expend a considerable amount of money for pensions which are paid on account of service in the first world war. Would it not be profitable for the country to have an independent check-up made of each case to see if the money goes to those who are entitled to it, or if the circumstances have changed? This would be unpopular, but I remind the minister that a large amount of money can be provided for military pensions without the expected political return being received. No one forgets that in 1930 the government was lavish with pensions and the government was defeated, and that in 1935 another government was also lavish and that government was defeated—which means that no one should have a political motive in dealing with matters of the kind.

Another thing which struck me in reading this bill No. 329, to amend the Pension Act is the reference to world war I and world war II which is often repeated in the various sections of the bill. I hope that, in the future, amendments to the Pension Act for world war III will not appear; that we shall stop at world war II. When I think of the pensions to those who are still alive after having been disabled, and when I think of the pensions to the dependents, I have to think also of the fine youth who had to pay the price of war with their own blood, and the loss of powerful brains, young brains, brains of men who could have served their country very well and who lie under white crosses in the cemeteries of Europe and other parts of the world. It impresses me deeply, and I

consider that the country has a duty to perform with regard to those who have been in the army. It is the duty of the collectivity.

But it is not because a man has been in the army that he is entitled to a pension. He is entitled to it because of certain considerations due to the difficulties he has encountered in service. If a young man has enlisted or has joined the colours and has done his duty either in this country or outside it, has followed the orders of his commanding officer and has done well, and comes back in good health, he is not entitled to any pension. The pension is for the disabled and for the dependents of the departed and of those who are unable to earn their livelihood. It may be that service in the army is a very good and profitable experience to the young man who comes back in good health. But so many are handicapped; so many have suffered wounds, have lost an arm, a leg, an eye or are totally deprived of sight, or have sustained other disabilities that it is impossible to think of them with "a dry heart." I was in close touch with soldiers and veterans during the whole war; I considered it my duty to listen to them and to try to help them out whenever the occasion occurred if it was possible to do so. It was done in various ways, and I saw the close connection that existed between the Department of National Defence and the then Department of Pensions and National Health. It is my duty to pay a special tribute to my hon. friend the junior member for Halifax (Mr. Macdonald), who did so much for the boys when he was parliamentary assistant to the then minister of national defence. His kindness, his thoughtfulness and his conscientious study of long and tedious files brought cheer to many homes. It was not interesting; it was not pleasurable, but in spite of his other occupations he considered it a duty to come to the assistance of young men who were not treated by the medical corps with the consideration that they deserved.

A member of parliament has many things to do, but one of his duties is to listen to those who are in trouble and in difficulty and to try to do something for them, and what I happened to do was to receive in my office some boys who were unfit. In spite of the fact that they were unfit and sometimes disabled, they were graded A by the army. Some were suffering from goitre; others from chronic appendicitis; others had one eye; others had lumps the size of my fist on the spine. They could neither stand nor sit upright. Others suffered from other disabilities. They were, however, all graded A. I have a letter from the department to the effect that they were fit and that if they complained it was because there was something wrong with their minds rather than with their bodies.

I asked my friend Colonel Desrosiers, who as deputy minister of national defence did so much for the boys, to look into the matter, and these men were submitted to another examination. I asked that they be examined by competent doctors. After instructions from the deputy minister and my hon. friend the junior member for Halifax, they were examined and found unfit; and they were found unfit because of disabilities that existed at the time they were declared fit.

What happened afterwards? They were not given a pension but were told that their unfitness predated their entry into the army, and the matter was left at that. It is cruel; but at least, with the assistance of my hon. friend and the assistance of Colonel Desrosiers, I succeeded in getting them out of the army, because it is my deep conviction, in spite of what has been said about the Pulhems system, that it is absurd to keep in the army, and at the expense of the country, one who is practically unfit. But that is not all. There were times when pensions were granted to everybody, and the expenditure was so great that the tap was turned off so that afterwards no one, not even those who were most meritorious, could get anything. They could not get anything because of the enormous expenditures that had been made carelessly before. It is hard to correct it.

I have some files here. There is, for instance, the file of a man who was in the first world war, No. 897, who was one of the first to join the colours and one of the last to be discharged. He was wounded through the body; but, since he was a big man, his disability was not so apparent at the start and he was discharged A-1. Subsequently, however, he had a premature predisposition to certain disabilities, especially rheumatism. He would probably never have had rheumatism if he had not been five years in the trenches, but because he was classified as A when discharged it was impossible to get anything for him. The facts are there, and his number is 897.

This is not the first time that I have mentioned his case in the house, but I have never succeeded in getting anything because of the stubborness of the officials in the Department of Pensions and National Health. I put the name of Brigadier Melville in brackets because he seems to be well disposed, but there are still many who belong to the old school tie and whom it is impossible to move. I wonder what power is needed to make them move and move sensibly. They are there to effect

economy for the country; but watch their own expenditures for themselves and see how lavish they are, while they are stingy to those who deserve something.

I have another case, No. 23923, a man who had a sore leg when he enlisted but who was classified A notwithstanding. He was put in charge of the barracks on the hill in Levis in the winter—barracks not needed. They were outside, and there was no place where the men could go and warm themselves in the winter. They were exposed to the wind. This man got a disability but it did not count. His disability was said to have predated his enlistment and therefore he got nothing.

I find it a crime; I find it shameful; and I call the attention of the minister and of his assistant to these cases. But I do not speak to deaf ears, because in many cases they have helped me out in spite of the procrastination of some men in the department. In fact, procrastination is a euphemism.

Then there is the case of E-36159, who suffered a rupture. The rupture was cured and to that extent he is all right, but he suffers from a nervous affection and the explanation given is not clear.

There is another case right here in the House of Commons. I mentioned it earlier in the session. It is the case of a man who had a bullet through the cheeks and who was given a fifteen per cent disability. He suffers from cancer. This is an elevator man, No. 889897. I am told that he gets all he should get. Well, if we are ready to open the doors of Canada, and to open the taps of the Pension Act to anyone who comes here and who belongs to an allied army and who may be domiciled in Canada within two years after the war, we should do something for our own people first.

There are several cases. The minister and his parliamentary assistant have settled admirably the case of Captain Bellew, V.C., who passed over the head of everybody, including the Canadian Legion, and sent an S.O.S. to the member for Temiscouata, who looked after him with all his heart. I thank the minister and his assistant for what they did in this case. But what they did in the case of Bellew should be done for the elevator man here. We hear a lot about public welfare. There is not one of us who would tolerate a thing like that in his own home, and it is done in the home of all of us. I also believe that those who perform a duty in the House of Commons are entitled to the special consideration of members of parliament, just as old employees who live in a home sometimes for two generations, old servants knowing everybody in the family, give good service and deserve special consideration. I cannot see a man suffering without trying to help him, and I am sure that is the feeling of all hon. members who are doing me the honour of listening to me at this time.

Speaking of cases, there is something else I would mention. I have murder cases, cases of men of the army who were nearly murdered by the incompetency of the medical corps under Chisholm, that most nefarious man. He was in charge of the medical corps under the Department of National Defence, a most incompetent man, a cruel man. He was responsible for all the suffering of many soldiers who could not get justice, who could not get fair treatment. He is now in charge of the health of the world. What a shame! I do not discuss the theories which he has expounded over the air or in public meetings. I say that man is a criminal because so many men in the army have suffered on account of him, and I have to fight twice as hard because of his stupidity and ignorance.

Mr. GRANT: Poor Santa Claus suffered, too.

Mr. POULIOT: I am not talking of Santa Claus; I am talking of the soldiers who have suffered because of the stupidity and incompetence of Chisholm.

I have many murder cases. The Hornblow family of Toronto has sent me a whole file which was transcribed by the hand of the mother of the boy who was killed because of the stupidity of the doctors who did not give him the proper treatment, and the doctors were exonerated. We cannot have justice, because it is precisely the guilty party who supplies the evidence against those who have grounds for complaint. Here is my murder case. He was a fine boy, and his mother is a widow. His number was E-630952. Here was a boy suffering from a heart condition. He did his duty. He was called and reported. He had leave during Christmas about two years ago. He went home and fainted while he was there. He had a certificate from his family doctor that he was suffering from a heart condition. He brought the certificate to the camp and gave it to the sergeant. He was examined. And mark you, sir, I know whereof I speak. He was examined by a heart specialist who found that there was something wrong with him and marked it on the sheet. Then the chairman of the board struck it out and the boy was told to go back to the barracks. He could not do any drill. He asked for a doctor. The doctor was refused. They told him that he was a faker. He asked for a padre. They did not inform

the padre. This faker, according to the words of the sergeant, went to bed. He was found dead fifteen or twenty minutes afterwards. Those who were there reported that his face was crimson when he went to bed, because he was suffering from a heart condition. I asked for a pension for his mother who has been bereaved so deeply by the death of her child. Because she is a mother who has other children it does not follow that she did not suffer deeply when that child died. I was told that his death was not the result of his military service, and that it had nothing to do with it. Well, if it had nothing to do with his service, your name, sir, is not Mr. Speaker and mine is not Jean Francois Pouliot. It is incredible. It is stamped with cruelty just as is the face of the man who was the chairman of the board and who took upon himself the tremendous responsibility to strike out the report of the heart specialist. The mother is entitled to a pension, and I send my whole file to the parliamentary assistant to the minister and ask him to have the case reviewed. I want a pension for the mother, and if I do not get it I will speak on each bill until the mother gets it, but I know I shall not have to do that, because it is a big file like a book. I know that I shall not have to do that because I do not speak to deaf ears, but it is something incredible.

There is something else; there is the distinction which has been made between those who followed the law strictly and those who have enlisted. Can you blame a man for following the law and abiding by it? Take a man who is a draftee, and who has been called a zombie. The law called upon him to report to a medical examiner, and then to the registrar. Then, if he had no cause for exemption, he had to report to the camp to follow the instructions of his commanding officer. He did all that, but he is looked upon as an untouchable of India. He is a despicable man because he did not enlist. It was so bad that even the man who followed the instructions of his commanding officer over the seas on the continent, and who did very well there, was not entitled to the military preference of the civil service because he had not signed a paper. Because he did not sign for overseas he was disbarred from preference. Happily I got in touch with the deputy minister of national defence and had it corrected, and that man was put in a position to enjoy the military preference just the same as the other boys in the army. Military preference has been so stupidly considered that even a sick man who enlisted, a man who knew that he was unfit, that he would be rejected, is on the honour roll as one who served his country, although he enlisted only to be discharged. That is the difference. It is absurd. And those men who have enlisted for overseas are not entitled to gratuities. Here is a letter which was written by Mr. McTaggart, assistant director of reestablishment credit:

> We wish to acknowledge receipt of your letter dated July 14 in regard to your entitlement to war service gratuity.
>
> In the War Service Grants Act the definition of service is and we quote "while enlisted or obligated to serve without territorial limitation." It has been confirmed from your file that you were enrolled under the National Resources Mobilization Act and, therefore, you are not qualified by having been enlisted; your file also reveals that your entire service took place in Canada and, therefore, since you did not in fact leave the country, there is no question of your having been "obligated to serve without territorial limitation."

I did not have time to read the whole bill, but when a man abides by the law he is entitled to the consideration given all good citizens. If the law was made in that way, they were not responsible for it. They obeyed the law, and now there is a difference in the treatment of those who followed both the spirit and the letter of the law and those who signed a paper. How many of the brass hats made Cook's tours over there just in order to qualify for the preference given in respect of overseas service? How many are there in the Department of National Defence who have never been in any theatre of war? Not so long ago I had a list of 280 officers, brass hats of the Department of National Defence, to say nothing of the N.C.O.'s and men, who had never been in any theatre of war but who were sending others over there. What a shame! But these men have received promotions, and they have been given efficiency medals.

There is something else I want to say. With the assistance of the minister, the assistance of his parliamentary assistant, to whom I wish good luck in whatever field he decides to carry on his activities, and the assistance of Brigadier Melville, to whom I want to give the benefit of the doubt and treat just as generously as I can, I hope something will be done to correct the injustices of the past and redress all wrongs. This morning I said Canada was generous to outsiders. That is true. At the present time we complain about the scarcity of lumber; we complain about the scarcity of food, and at the same time we keep men in the clink because they believed what had been said in this house by the Prime Minister, that the farmers were to be exempt from military service. Those men are in the

clink now, and some of them are in gaol. Those connected with the air force are in Bordeaux gaol, in Montreal, and they are handicapped as a result.

We are now discussing the pensions that are to be given. I am ready to give pensions to those who deserve them; I shall not kick about them; but, on the other hand, I think it is time to consider the war as a thing of the past and to look at the future in a different way from what has been the case up to the present. Those who have run the Department of National Defence, those who have been the power behind the throne in that department, are jingoists without war records. Those who have been in theatres of war, during either the first or second great wars, are more lenient. They have a broader outlook and are ready to act as civilized human beings. The others know very well they will be out on the street as soon as the army is demobilized; there will be no more soft jobs for them, so that they exercise their cruelty against honest citizens who deserve better treatment. If you are not satisfied that what I have said is the truth, Mr. Speaker, I can give the names of all those parasites who would be on the streets to-morrow if the clinks were closed. They are in the department; they are important; they travel like Xerxes when he crossed the Hellespont. One must admire them in their smart uniforms; they think they are masters of the land. I do not believe members of the House of Commons are precisely masters of the land, but they could easily be the masters of parliament if they ever felt like it. It is time to close the clinks. Why is it necessary to follow the example of the Meighen government, which was so unpopular that it was rejected by the people and Meighen could not be elected afterwards? Why follow that example? Well, there is a very good reason. It is that those who rule now in the Department of National Defence are exactly those who ruled when Meighen was in power, and it is those men we have to fire at once.

There is one thing more I want to say before closing. It is that we are more united in misery than in happiness. At the present time, on the shoulders of everyone there is a heavy burden of taxation. It makes us all feel more like brothers, and we should not be discouraged as to the future. But I hope that out of misery may come good understanding among Canadian citizens, and the example should be given by members of this house, who should come to a common understanding on main issues and decide them according to their good judgment and their patriotism. If I did not believe sincerely and deeply in the good will, honesty, good purpose and patriotism of my colleagues I would not have come back from God's country, especially at this time of year, to perform a necessary duty as a member of parliament. There is a ray of hope, and that ray of hope exists because of an event which has more importance than any legislation, an event of more importance in the constitutional life of Canada than any statute of Westminster. I refer to the debate and discussion that took place on the Canada day bill. The matter is of minor importance. Whether it be called confederation day, national day, Canada day, Dominion day or anything else, I do not attach much importance to it; but on that occasion members of the House of Commons united to show that they were conscious of their responsibility, and that they wanted to do something. It was in connection with a minor issue. I hope this will occur each time a major issue arises in parliament; that members of parliament will unite, leaving aside all party considerations to do what they honestly think is good and right and in the interests of the country at large.

Mr. T. J. BENTLEY (Swift Current): Mr. Speaker, with much of what was said by the honourable and amiable member for Temiscouata (Mr. Pouliot) I am in agreement, particularly his remarks dealing with the pre-enlistment disabilities of veterans and their treatment when they apply for pension. However, like the hon. member for Royal (Mr. Brooks), I believe those matters were pretty thoroughly discussed in committee, and I do not propose to take the time of the house in going through all the discussions we carried on there.

It was my good fortune, along with the hon. member for Weyburn (Mr. McKay), the hon. member for Skeena (Mr. Archibald) and the hon. member for Churchill (Mr. Moore), all new members, to be placed on the veterans committee. Two of the senior members of our group, the hon. member for Melfort (Mr. Wright) and the hon. member for Cape Breton South (Mr. Gillis), were also members and were able to give us guidance. Like the hon. member for Royal (Mr. Brooks), I want to say that we enjoyed our association with the chairman. We did not have any really pitched battles. I expected there would be more in the way of political discussion, but there was much less than I expected. As has been mentioned, the chairman did not blow up, but once or twice I would not have been surprised if several people had blown up. However, we got over those difficulties with a minimum of partisanship. I believe this was due to the fact that every one, in spite of

what other ideas he may have had, was sincerely interested in trying to see what could be done for the veteran. On certain occasions the genial Minister of Veterans Affairs (Mr. Mackenzie) honoured us with his presence. Occasionally he told us that there were certain points the government refused to accept, but that was the responsibility of the government. The committee could do nothing but accept those statements.

I cannot agree with the hon. member for Temiscouata when he said that officialdom is to blame. I think the officials of the department will do what the government tells them to do. We are hoping that some day the government will tell them to do some of the things that up to date they have not been told to do.

What I rose mainly to say on behalf of the party I represent was that so far as the pension bill is concerned we feel that we have had our part in the debate in the committee. A bill is now before us, having come from the committee, and the legislation will operate in its present form until further amendments are made. In the main we are prepared to watch the operations under this measure and be guided by the experience we gain. When we assemble at the next session we may make suggestions for amendments in the light of the experience we have gained by that time. It is doubtful if any new argument could be advanced, and we feel that that is probably the wisest course to take.

We hope that when parliament reassembles the veterans committee will again be set up. However, I remember one time when the Minister of Veterans Affairs was before the committee and the tension was pretty tight, he expressed the hope that never again would he have to have such a committee to deal with. But that was only on one occasion, and we hope that the committee will be reestablished at the next session so that we shall have an opportunity to make recommendations in the light of the experience we shall have gained. At that time some further appeals may be made by this group. I believe one member of this group has a certain definite matter regarding pensions to bring up, and I shall not take any further time because I am under threat of being shot if I speak for more than ten minutes.

Mr. VICTOR QUELCH (Acadia): Mr. Speaker, as a member of the veterans committee I should like to join other hon. members in complimenting the chairman upon the way he filled his position. There were times when the debate waxed decidedly acrimonious; but, so far as I remember, on only one occasion did he find it necessary to call on the deputy chairman to take his place while he let off a little steam. I believe this committee did a good job and has justified the amount of time that it has taken in its deliberations. On the other hand, it is perhaps unfortunate that the government has found it necessary to turn down some of the important recommendations of the committee, thereby nullifying some of the work that was done.

When the veterans committee was set up in 1945 there existed three main objections to the Pension Act. First, the insurance principle had been destroyed; second, pensions were being denied on the ground that the disability was of pre-enlistment origin and, third, there existed a dead-line of April, 1944, in connection with marriages. By the time the committee had revised a draft of a proposed pension bill all these objections had been removed. Had the government seen fit to accept the draft bill in its amended form, I think we would have had a Pension Act of which we could have been proud. Unfortunately the government found it necessary to refuse to accept our amendments in regard to the question of pre-enlistment origin and the deadline for marriages.

I should like to deal first with the insurance principle. I heard a few Liberals praise the government for having reinstated the insurance principle. This was done at the very commencement of the deliberations on the Pension Act. Hon. members should, however, remember that it was the Liberal government that destroyed the insurance principle in May, 1940, by order in council.

If I remember rightly that was done largely as a result of a recommendation by the Minister of Finance. As a consequence several thousand veterans were deprived of pensions during the war and something in the neighbourhood of 200 widows were denied pensions.

A number of the members of the veterans committee which sat in 1940 tried to have the insurance principle reinstated, but the government of that day was not prepared to accede. There was a compromise to the extent of accepting the insurance principle in connection with veterans who were found to be in necessitous circumstances. I think it is important to remember that, while the insurance principle has now been restored, the payment of pensions will start only as of June 1, 1946, and as a consequence several thousand pensioners will have been without pension from the time the insurance principle was destroyed until June, 1946. But certainly I am pleased that the government saw fit to restore the insurance principle even at this late day.

The next point I should like to take up is the question of pensions being denied on the ground that disability was of pre-enlistment origin. The committee discussed this matter at great length. I think veterans have always felt that when a man was medically examined upon enlistment and declared to be in A-1 condition, then if he were found to be medically unfit after several months or years of service, no attempt should be made to rule that his disability was of pre-enlistment origin. I think that was quite generally the opinion of the veterans committee. The committee proposed that a man's condition as recorded on his medical sheet at the time of enlistment should be presumed to be his true condition, unless it were found that some disability had been recorded on an examination prior to his enlistment. That amendment was carried; but unfortunately the minister declared, on behalf of the government, that they could not accept it; the bill we now have before us does not contain that amendment and the objectionable feature still remains in the act.

My last point concerns the dead-line for marriages of pensioners. If a pensioner marries after April 1, 1944, no increase is made in his pension because of the change in his status from a single to a married person, and no allowance can be made for children born of such a union. In the event of his death no pension can be paid to his widow. The committee voted unanimously to strike out that dead-line. But again, unfortunately, the government through the minister of pensions refused to accept that amendment, so that the bill before us contains the dead-line of April 1, 1944. The committee I think felt strongly on that question. It is not a big question so far as the money involved is concerned. The cost to the government would not be great to wipe out that dead-line. Today we all consider that it would be to the benefit of Canada to have an increase in population, and no doubt in the not distant future we shall be spending millions of dollars to bring people into this country. I would say that the very best way to expand our population is with Canadian-born children, and what better children could one have than children of veterans? Therefore I cannot understand why the government should discriminate against the old veterans by saying that any children born after a certain date not be recognized so far as pensions are concerned. I hope that, even at this late day, when we get to the section the government may see fit to take that dead-line out of this measure.

[Mr. Quelch.]

Apart from those two points, the dead-line for marriage, and disability of pre-enlistment origin, we in this group are pretty well behind the Pensions Act as it is now before us. But when the appropriate sections come up we shall no doubt have a few words to say on these two particular matters.

Mr. H. C. GREEN (Vancouver South): Mr. Speaker, within the last year thousands of our finest young men and women have come back to their homeland from the fighting fronts. Fortunately the majority of them have come back fit, and able to take their place in civilian life. But many have come back disabled. They have been handicapped for life by the service they have rendered to their fellow-Canadians. Many more, fortunately not as many as in the last war, but still many, many thousands of young Canadians who went overseas, will not come back. They are our war dead. But they leave here in Canada to mourn them their dependents and their other loved ones; and these loved ones of our young Canadians who will not come back, are the people in this country who know the real cost of war.

I suggest to this house that our feelings toward these young men and women who have come back and to the dependents of those who do not come back should be feelings of admiration and also of gratitude. That should be our approach when we discuss the problems having to do with them. The prime ministers of the empire put it very clearly away back in May of 1944, when at the end of their historic conference in London they issued a statement which contained this sentence:

> To all our armed forces who in many lands are preserving our liberty with their lives we express our admiration and gratitude.

That was before D-day, before our troops had landed on the continent of Europe. But we should still have that feeling. We should be filled with admiration and gratitude.

We are under two great obligations. The first is to see that the young people who have come back are absorbed into the life of the nation. The second is that those who are disabled and the dependents of the fallen should be compensated generously for the sacrifices they have made. I do not think there is one member of this house who would disagree with my statement of those two great obligations under which we stand at this present time.

But, Mr. Speaker, it is not only a question of being under these obligations at this time. It is comparatively easy to remember them now, with the war over such a short time ago. But these are obligations that will continue

year in and year out until the last disabled Canadian and the last dependent of a Canadian who did not come back, have passed on. For so long will these obligations remain on the Canadian people. And I make bold to state to-day that these obligations will not be met by any so-called Veterans Charter of 1946.

The hon. member for Royal (Mr. Brooks) has pointed out that these veterans bills that are to be considered by the house are but one step. They are the legislation which we believe should be enacted at this time. Personally I think it is a great mistake to refer to them as constituting a Veterans Charter. It sounds very nice. It brings a certain amount of credit to those of us on the committee, who really have worked hard and in a fine spirit to see that these bills are the very best that could be written. But the danger is this, that the Canadian people will say: "Oh, well, now that we have written a Veterans Charter we have done what should be done for the veterans; so let us get on with some other business." For that reason I think it was unwise to term these bills a Veterans Charter. I am not questioning the motive in using those words as a title for the bills, but it would have been wiser not to try to spread the impression abroad throughout the land that we are now preparing a great Veterans Charter.

You see, Mr. Speaker, there will be improvements required every year. There are improvements required at this very moment in this Pension Act, which is the bill now being considered. The hon. member for Acadia (Mr. Quelch) has referred to some defects in the bill. I shall deal to-day with only one, which I urge upon the minister should be remedied before the bill becomes law.

There is no provision in this pension bill for the veteran who has been discharged as medically unfit but yet cannot qualify for pension because of a ruling made by the pension commission that his disability arose from a pre-enlistment condition. This applies not only to men who served in Canada but also to the young Canadians who served overseas. We were given figures as of December 31, 1945, by the chairman of the pension commission, showing that there were 7,810 young Canadians who were fit enough to be enlisted in the forces and taken overseas, who eventually were brought back and discharged as medically unfit and yet were not granted any pension entitlement because of a pre-enlistment condition. They were not even granted anything for aggravation by service. I repeat that figure—7,810.

The figure for those who served only in Canada was 54,207. That number of young Canadians enlisted in the forces, served in Canada only, were discharged as medically unfit, and yet were not entitled to any pension either for original disability or for aggravation, because they were said to have a pre-enlistment condition.

There is something wrong there either with the law or with the doctors. All these men were carefully examined, far more carefully examined in this war than those of us were who served in the last war. We, or some of us, "got by" on nearly anything. In this war there was the most careful examination. Yet we find that, after men have been examined and enrolled, and have served for years, another doctor discharges them as medically unfit, and a third group of doctors, working under the pension commission, say, "Well, they had a pre-enlistment condition; presumably they were sick before they ever got in the army, or they were going to be sick anyway, and that is that, and they are not entitled to any pension." These men are being ruled out or, in some cases, granted only a partial pension, on the ground that the condition originated before enlistment.

Mr. Speaker, that is an injustice which should be remedied, and it should be remedied in this bill. I believe that could be done by inserting in the Pension Act a new provision to this general effect—I am not giving the exact wording—which I think should be covered by a new section of the act:

> That there shall be a presumption that a man's condition as recorded on admission to service was in fact his condition at that time and that any subsequent deterioration was due to his service.

In other words, it shall be presumed that if he was enrolled as fit he was actually fit, and that if, during his service, his physical condition deteriorates the state must show that such deterioration was not due to his service; otherwise he would be entitled to some pension.

That suggestion was made before the special committee. As the hon. member for Acadia has said, it was considered at some length, and finally, on motion of the hon. member for Nanaimo (Mr. Pearkes), an amendment to the act was recommended. Hon. members will find it in the proceedings of the committee on May 31, 1946. The hon. member for Nanaimo moved that there be put in the act a new section reading as follows:

> 62A. There shall be a presumption that an applicant's condition as recorded on his acceptance as a member of the forces was in fact his

condition at that time and that any subsequent deterioration during service was due to such service.

Then, at the suggestion of the hon. member for Kootenay West (Mr. Herridge), a proviso was added, worded as follows:

subject to the provisions of paragraph (c) of subsection (1) of section 11 of this act.

That proviso covers the case where a man's condition was obvious on his admission to the service; in other words, if he had a wooden leg and had been able to get by the doctor even with that wooden leg! Or where he had wilfully concealed his condition, or where his condition had been recorded on another medical examination, say a civilian medical examination, prior to his enlistment. That amendment was adopted unanimously by the special committee on veterans affairs.

But then the government came in, a week later, and said, "We are not willing to accept that amendment." I think the reason they did so was that the pension commission did not like it. The minister showed no particular antagonism to the amendment; I believe he would have been willing to let it go into the bill. That was on June 7, and after we had passed all the sections of a draft bill. I moved that the draft bill be reported to the house, but the hon. member for Winnipeg South (Mr. Mutch) moved an amendment, and later on the hon. member for Queens-Lunenburg (Mr. Winters) moved other amendments, the effect of which was to change that draft bill into the form that the government wanted. So that the bill as it comes before the house to-day is not the bill which was really recommended by the members of the veterans committee when they were considering it section by section.

The change made in regard to this pre-enlistment condition was that the new section was struck out, and to take its place two words were added to what is known as "the benefit of the doubt" section, section 62. The words added were "and presumptions", and putting them in section 62 meant nothing at all. So I repeat my suggestion to the Minister of Veterans Affairs (Mr. Mackenzie) that, when this bill goes into committee, he allow it to be amended to include a new section, and I intend to move such a section, No. 63A—there has been some change in the numbering—to this effect:

63A. In respect of an application for entitlement to pension arising out of world war II there shall be a presumption that the condition of the member of the forces as recorded on his acceptance was in fact his condition at that time and that any subsequent deterioration during service was due to such service; subject to the provisos contained in paragraph (c) of subsection (1) of section 11 of this act.

[Mr. Green.]

I will give the minister a copy of the proposed change when I am through.

Another improvement which could be made at this time, without waiting until next year, is to give the dependents' board of trustees power to help out the family of a veteran. As hon. members know, that board was set up under the Department of National Defence—it is not under the Department of Veterans Affairs at all, even at the present time—and was provided with funds so that the case of a needy family could be met. The board has done splendid work. I know that in the city of Vancouver many families have been helped in that way who otherwise would have had no helping hand at all. I suggest to the house that for the next year or two that dependents' board of trustees be provided with funds to help the families of veterans; for example, the family of a veteran who cannot qualify for pension and yet in whose family there will be great suffering without such assistance. The board would not have to carry on indefinitely; it is simply a suggestion for the immediate post-war period.

When I opened my speech this afternoon I mentioned that we had an obligation to absorb these young men and women into the life of the nation. I do not intend to go very far along that line to-day because there are other bills which deal with that obligation. But there are two matters which will not come up under other bills; they are contained in the recommendations which have been made by the committee. The first has to do with the civil service preference. The committee recommended in its final report:

That the present civil service preference for disabled veterans and veterans who served overseas be extended to cover all employment, both temporary and permanent, by the House of Commons—

That means by us, right here; it means on our own front doorstep.

—and by dominion government agencies inclusive of crown companies.

The civil service preference at the present time applies only to those who come under the Civil Service Act. The Secretary of State (Mr. Martin) can correct me, but I should think that would be perhaps only half or two-thirds of the total number of civil servants. In any event, there are thousands of government positions that are not subject to the veteran's preference. I suggest that, without further delay, provision should be made by the government to extend the preference to all dominion government agencies, including these new crown companies that are being set up.

The importance of such a move is that people on the outside, ordinary businessmen,

will follow the example set by the government. If the government has a crown company which does not give preference to veterans, then the man doing business with that company, or who knows of its activities, will say, "Why do I have to give a preference to veterans when this government company is not giving it?" And provincial governments are apt to do the same. They will say, "The dominion government does not give a preference. These men served under the dominion and the dominion will not give them a preference; why should we?" It weakens the position of the veteran all across Canada, and therefore I appeal to the government to take action to extend this preference, and to take that action quickly.

The other recommendation of the committee to which I would refer is the following:

That the government consider the extension of priorities in the purchase of surplus war assets to veterans on certification by the Department of Veterans Affairs.

Just within the last day or two another department of government, the Department of Reconstruction and Supply, has said that there is to be no more preference to veterans in the purchase of cars and trucks because you cannot trust them—they will go and make a deal with some civilian and there will be a lot of under-the-table business carried on. Therefore the priority must go.

That is not good enough. The committee on veterans affairs went into the whole question carefully. We say that where a veteran needs a truck or a car in order to become reestablished, and gets a certificate from the veterans affairs department that such is the case, then he should receive priority; and I would urge the government to see that a change is made along that line.

In conclusion, I have dealt to-day primarily with the Pension Act; with the men and women who have been disabled and the dependents of those who have not come back. This house was elected in June, 1945, just a little over a year ago, when Canada was still at war in the Pacific, it is true, but the fighting in Europe had ended and it was obvious that Japan could not hold out longer. Every member elected to this house knew, and the Canadian people knew, that to this House of Commons would be entrusted the writing of laws to protect those who had been disabled, and the dependents of the fallen; and no matter what the members of the house do, no matter what the Canadian people do, they can never adequately repay their fellow Canadians who have suffered. But a genuine attempt to do so should be our first concern, not only in this post-war session, but throughout the whole life of the present parliament.

Mr. J. H. MATTHEWS (Kootenay East): I have listened this afternoon with a great deal of interest to the remarks of the hon. member for Temiscouata (Mr. Pouliot), the hon. member for Swift Current (Mr. Bentley), the hon. member for Acadia (Mr. Quelch), and the hon. member for Vancouver South (Mr. Green); and, while listening to those remarks, I was thinking of the last session of parliament, prior to prorogation, when the report of the veterans committee was presented to the house. If I remember rightly, there was little discussion of. or comment on the report because we felt in the house that that committee had done its work thoroughly and well and that the country generally was in favour of being generous to those who had served Canada so splendidly in its wars.

Now again, through this session, a committee of the house has been studying veterans affairs, and again its report is coming before the house in the form of the present bills.

I have not had the privilege of serving on that committee, although I was a veteran of the first great war, but I discovered that even if I had been a member of the committee I would not have been permitted to bring individual cases on the floor of the committee. Those have been ruled out, and it seems to me that this is the place where some individual cases should be dealt with when we are considering the principles of the pension bill.

The first case I wish to refer to is that of a Canadian soldier, at least a soldier who fought for Canada in the great war of 1914-18, who was severely wounded in that war and was subsequently pensioned for his disability. Later on, when he tried to go out and do a little for himself to add to his pension, it was agreeable to the pension commission that he should do so, and a promise was made that if he found he could not get along his pension would be reinstated to its original sum. In the meantime, this young man goes down to live in the United States and then discovers that originally he was a United States citizen. He has not had his pension reinstated to its original sum, and in spite of all his appeals he has been turned down. I have taken the matter up with the pension commission, and they inform me that there are fourteen or fifteen bulky files dealing with this particular case. I am not concerned about how many files they have; if an injustice has been done to a soldier who fought for Canada, the matter of the number of files should not enter into the case.

Second, the immigration officials refused to allow this man to come to Canada. All he asks is that he be allowed to come to Canada, go before a medical board and have a rediagnosis of his case. "Oh, no", they said, "we cannot let this man into Canada at all. He is not a Canadian citizen and if we did let him in he is liable to become a public charge on Canada."

When a man is willing to hazard his life and fight for Canada and to be wounded in that service, to my mind such treatment is hardly good enough. Although the pension commission may say it is a closed case; although the immigration officials may say they will not let this man come in, I still feel there is one man who in his breast has a rankling sense of injustice against Canada. To-day all that he asks is to be given a square deal.

The second case that I wish to deal with—

Mr. MACKENZIE: Did my hon. friend ever bring that case to my personal attention?

Mr. MATTHEWS (Kootenay East): Yes, I did, and it was through the minister's efforts that I went before the pension commission.

The second case that I wish to deal with is that of a man from my own constituency. This man enlisted in Cranbrook on June 13, 1940. Two days later he was placed on a troop train bound for Vancouver. While he was travelling on the train, he suffered an accident, a stone came rolling down the mountainside, smashed through the car window and struck the man on the head. As a result of these injuries, he is suffering from a nervous condition, defective hearing in the left ear with perforation of the eardrum, and defective vision of the left eye. This man has been discharged without a pension. When he went before the appeal board of the Canadian pension commission on June 19, 1942, his case was outlawed. He was told that he was suffering from pre-enlistment conditions. I should like to read for the record a statement made by the doctor who examined this man when he enlisted and when he was discharged. It reads as follows:

Cranbrook, British Columbia, April 16, 1941.
To whom it may concern:

To those interested, I examined this man when he enlisted, and according to the records which we have there was nothing to show that this man had any of the following:

1. Nervous condition.
2. Defective hearing, left ear with perforated eardrum.
3. Defective vision, left eye.

The above are conditions for which this man was discharged from the army. I feel that these conditions are largely due to the accident which occurred while this man was en route to the coast from Cranbrook.

Signed Melville J. Swartz, M.D.

[Mr. J. H. Matthews.]

Here is a case, Mr. Speaker—

Mr. MACKENZIE: Has my friend ever seen the real file on that case?

Mr. MATTHEWS (Kootenay East): Yes.

Mr. MACKENZIE: I shall have it submitted to the committee on veterans affairs and I shall abide by their judgment. The statement my hon. friend is making is absolutely unjustified and unwarranted.

Mr. TUCKER: May I rise to a point of order. I know the hon. member for Kootenay East wants to be fair; I know he wants to do what is right in behalf of the veterans, but it is written into the Pension Act—

An hon. MEMBER: What is the point of order?

Mr. TUCKER: I shall come to that in a moment if the hon. member will permit me.

An hon. MEMBER: Do not make speeches.

Mr. TUCKER: It is written into the Pension Act that the pension commission has the right to adjudicate these cases. That has never been questioned in any way in our committee or in any veterans legislation. When the pension commission rules on these individual cases it is the same as when a court makes a decision. That principle is not being attacked in any way by this bill. If hon. members are to rise in their places and make ex parte statements, then every other hon. member has the same right to do so. Surely my hon. friend would not say that he should do so and that other hon. members who have constituents coming to them and saying that they have decisions which they do not agree with, have not the same right. Surely he would not say that everyone has not the same right. If that right were exercised we would not get this pension bill through until next month. I ask the hon. member to be fair with the house, with the committee, and with the veterans of the country. He is trying to do something which he knows himself would prevent this bill from going through, if other hon. members did the same thing. In all earnestness, I ask him not to press these individual cases.

Mr. MATTHEWS (Kootenay East): Where is the point of order?

Mr. CRUICKSHANK: You would not understand it.

Mr. MATTHEWS (Kootenay East): My hon. friend would.

Mr. SPEAKER: I would call the hon. member's attention to the preamble to the

second reading of the bill. He well knows that on second reading only the principle of the bill should be discussed.

Mr. MATTHEWS (Kootenay East): I beg your pardon; it is the principle of the bill that I am discussing.

Some hon. MEMBERS: No.

Mr. MATTHEWS (Kootenay East): I have not had the privilege of appearing before the veterans committee.

Mr. TUCKER: Did the hon. member ask for it?

Mr. MATTHEWS (Kootenay East): The ruling of the veterans committee was that individual cases would not be dealt with.

Mr. TUCKER: Did the hon. member ask for it? He knows that we are discussing the principle of the bill.

Mr. SPEAKER: Order. I would draw the hon. member's attention to the fact that we are on second reading of the bill. The right place to carry on discussion between members is when the bill is in committee.

Mr. MACKENZIE: I know of this case, and it is well known all over British Columbia.

Mr. MATTHEWS (Kootenay East): If I heard the minister aright he said that he knew of this case and that it is known all over British Columbia.

Mr. MACKENZIE: Yes.

Mr. MATTHEWS (Kootenay East): As a member of parliament, I am pleading on behalf of a member of my constituency. I may be a new member of the house, and I may not be aware of all the circumstances under which these things are dealt with, but I was under the impression that it was my right and my privilege to speak on this case this afternoon. I want to proceed this much farther. The crown has sued the Canadian Pacific Railway Company in this particular case.

Mr. SPEAKER: I say to the hon. member that under the rules of the house he will have an opportunity to discuss any case in which he is interested as long as it is relevant to the bill which is before the house. But the right place to do so is in committee of the whole. I would suggest to the hon. member that he discuss only the principle of the bill. If he wishes to go into details of the bill the right place to do so is in committee.

Mr. MATTHEWS (Kootenay East): Thank you, Mr. Speaker. In accordance with your ruling, I shall not continue farther, but I assure you that I shall bring the matter up at the proper moment.

Mr. TUCKER: With the permission of the house, I should like to say—

Mr. BURTON: The hon. member has already spoken.

Mr. TUCKER: I do not want to speak on this question, but I shall make an observation. Every hon. member knows that the commission has full jurisdiction in these matters. The minister has no right to overrule the commission; it has full jurisdiction. To try to get a suggestion from the minister that he will overrule the commission is asking him to assume something which parliament has denied him. I urge the hon. member not to bring up individual cases in this discussion. Every hon. member knows that they have dozens of cases which have been brought to their attention. If the hon. member brings up individual cases there will be the feeling that other hon. members should do the same thing. I say this as a matter of getting the bill through without having these cases threshed out on the floor of the house where there is no power to deal with them. Because of that, I ask the hon. member not to press these individual cases.

Mr. COLDWELL: I rise to a point of order. I suggest to the hon. member who has just spoken that it is always the privilege of any hon. member of parliament to bring before the house anything which his conscience tells him should be brought up there.

Mr. TUCKER: I ask him not to do that.

Mr. MACKENZIE: Will my hon. friend grant me the privilege of showing him the personal file in regard to this case?

Mr. COLDWELL: Yes.

Mr. CASTLEDEN: On a point of order, I should like to point out that during debate this afternoon the hon. member for Temiscouata (Mr. Pouliot) dealt at considerable length with a case and there was no objection.

Mr. SPEAKER: Is it the pleasure of the house to adopt the motion?

Mr. CASTLEDEN: No; I wish to speak on this matter. What is the policy of the government on the matter of pensions with regard to a case—

Mr. MACKENZIE: We are not in committee. The Speaker is in the chair.

Mr. CASTLEDEN: I am discussing the principle. Let us presume that a man suffering from nervous disorders is sent back to

Canada. We will say that these nervous disorders are the result of intensive training in Britain.

Mr. MACKENZIE: That should be brought up in committee.

Mr. SPEAKER: The hon. member knows that on second reading he cannot question the minister or his parliamentary assistant. That should be done in committee.

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

On section 1—"Department."

Mr. MATTHEWS (Kootenay East): A few moments ago I brought to the attention of the house a case in which I am very much interested. The Minister of Veterans Affairs intimated that he has the file, which he would be pleased to show me. I want to accept his invitation, and to tell the minister I shall be glad to see it at any time.

Mr. MACKENZIE: Yes, certainly.

Mr. MATTHEWS: In the meantime, I know the man; and I know that once the crown has sued the Canadian Pacific Railway Company because of injuries sustained by a soldier in the crown's service and has accepted the sum of $300 from that company in settlement, because that is the answer given to a question which was placed on the order paper, then the crown must accept some responsibility to the soldier who was injured. If I know anything at all of logic that holds true.

Mr. MACKENZIE: I wish my hon. friend would reserve judgment until he reads the file and finds out all the conditions surrounding the matter.

Mr. MATTHEWS (Kootenay East): I think this man has a claim for a pension. Failing that, if his case cannot be reviewed by the pension commission, I want to ask here in this House of Commons for permission from the crown, through the Attorney General, to sue the crown on this man's behalf.

Mr. CRUICKSHANK: On a point of order, Mr. Chairman, am I to understand that any man, I do not care whether he is a member of parliament or a private individual, has the right to see any soldier's file; that some man who was afraid to fight for his country can go and see the file of a man who did fight?

Mr. MATTHEWS (Kootenay East): I want to object to that phrase, "a man who is afraid to fight for his country." I shall not accept it as applying to any constituent of mine. This man enlisted in His Majesty's service.

[Mr. Castleden.]

Mr. CRUICKSHANK: If you will sit down you will find out that I am not referring to your man at all. I am merely asking if any private individual or anyone else has the right to see a soldier's file. I think the leader of your party will agree with the point I am bringing up. Do not sound off until you understand what it is all about. Has any individual the right to see a soldier's file.

The ACTING CHAIRMAN (Mr. Golding): The Minister of Veterans Affairs made that proposal to the hon. member.

Mr. CRUICKSHANK: I do not think the minister had any rignt to do so.

Mr. MACKENZIE: Oh, yes; the minister has every right in a case like this. Ordinarily the hon. member is quite correct; a soldier's file cannot be seen except with the permission of a minister of the crown.

Mr. CRUICKSHANK: Then may I ask another question? I presume that is in confidence, is it? In other words, if a member can ask the minister to see a file, and the minister shows it to him, can he go to some political newspaper and give the contents of a man's private file to the public? I doubt it.

Mr. MACKENZIE: Where there is deliberate misrepresentation in regard to conditions in any particular case, which imputes injustice to the department, the minister is entitled to show the file.

Mr. CRUICKSHANK: Well, I should like to ask another question. I am not disputing the minister's statement, but I am trying to protect the interests of the private soldier. I think, if a man has committed deliberate misrepresentation it is the duty of the department to prosecute him, rather than to pass around the information.

Mr. MATTHEWS (Kooteney East): I am not yet clear as to what is to be done in this particular case in regard to which I am appealing to-day. Can it be reopened by the pension commission?

Mr. TUCKER: Mr. Chairman, if I may answer the question asked, by the hon. member—

Mr. MATTHEWS (Kootenay East): I have not yet finished asking it.

Mr. TUCKER: The hon. member wants to know what can be done. The law, the Pension Act, definitely provides what can be done. It definitely states that the pension commission has full jurisdiction in the matter, the same as any court of law, and that it must interpret the facts and the law. That is in the

statute. When the commission comes to a decision, neither the minister nor this house has any right to interfere with its jurisdiction. That right has been conferred upon the commission, and I am sure no soldier organization would want to change the law so that the judgment of the commission could be interfered with by any member of parliament or any member of the government. When the hon. member asks whether the minister will undertake to interfere with the jurisdiction of the pension commission, the answer must be that he has no right to do so, under a statute of this country. Surely that is an answer to the hon. member.

Mr. COLDWELL: But it does not prevent a member of this house from rising in his place and airing what he considers to be an injustice. I should like to say something with regard to the file. I agree with the hon. member for Fraser Valley, but I think, when a member of parliament is invited to see a soldier's file, that member is placed upon his honour to exercise his responsibility.

Mr. CRUICKSHANK: Hear, hear.

Mr. MACKENZIE: I agree.

Mr. COLDWELL: That is always done, as far as I know.

Mr. BLACKMORE: Unless a member has a right to look at a file, how can he bring an injustice to the attention of the house?

Mr. TUCKER: I was going to say that every hon. member who has had anything to do with the pension commission knows that its chairman is ready to go to almost any lengths to discuss any case which any hon. member thinks has not been dealt with fairly or justly. I have never known a public servant more anxious to go into all the facts in order to satisfy a member of parliament that justice has been done. Instead of discussing this matter on the floor of the house, where hundreds of other cases might just as properly be brought up, which would delay the passing of this legislation, I would appeal to the hon. member to take his case to the chairman of the pension commission. There I guarantee that the file will be laid before him, and when he looks at the file and has a chance to see both sides I am sure he will be fully satisfied. I ask him to take up the matter with the board that has jurisdiction, instead of bringing it up on the floor of this house. The hon. gentleman mentioned another hon. member. If the hon. gentleman presents individual cases, I know of others which may be brought up by other hon. members; and if each hon. gentleman exercises the right which the hon. member for Rosetown-Biggar says is the right of his colleague, we may as well resign ourselves to the fact that this single bill will take up at least two weeks.

I make this appeal for this reason. We had wonderful cooperation in the committee, and our desire was to try to get this legislation through within a reasonable time. The hope was that anything about which we could not do anything in this parliament would not be discussed at any length at this time. Of course the hon. member is not bound by that understanding, but I suggest to him that the representative of his party on the steering committee entirely agreed with that attitude and, I know, is anxious that it should be carried out, in order to get this legislation through in the interests of the soldiers.

Mr. GRAYDON: May I rise on a point of order? As a member who has been in the house for nearly eleven years, I am interested in the point raised by the hon. member for Fraser Valley. I think that is a pretty important point; and I do not believe the solution is that which has been suggested by the minister or by those who have spoken. I do not think any member of the government or any member of parliament would stand for a moment for any ordinary, private member of the house snooping in the files of men who have served overseas, or given any other service. But that is not the point. In each of these cases where files have been opened to a private member of the house, I believe it has always been done under this circumstance, which I think must be borne in mind; that is, that the man asking for the privilege of looking at the file is in a sense the agent of the man whose file it is. I do not think I have any right to go to a man's file unless I am representing him; I do not think I have any right to go into somebody else's file just to find out something, even though I am a member of parliament. However, I think there is perfect justification, for the hon. member for Kootenay East for instance, who is putting forward a man's case, to go to that man's file. The minister should feel at liberty to open up that file, because there is no question then of confidentiality being offended in any way, shape or form.

Mr. MACKENZIE: That is what I said.

Mr. GRAYDON: Perhaps it was my fault, but I was not quite clear as to the minister's explanation.

Mr. MUTCH: It has been the practice over a period of years for most members who wish to see the file of a soldier to have his written

permission. I have seen scores if not hundreds of files, and I have had the permission every time. I doubt if I have ever seen one without having permission of the soldier.

Progress reported.

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

Thursday, August 1, 1946

The house met at eleven o'clock.

UNITED NATIONS

FOOD AND AGRICULTURE ORGANIZATION CONFERENCE AT COPENHAGEN OPENING SEPTEMBER 2

Right Hon. L. S. ST. LAURENT (Acting Prime Minister): The house may wish to be informed that the second regular session of the conference of the food and agriculture organization will open on Monday the 2nd of September, 1946, in Copenhagen.

The Canadian delegation to the conference will be headed by the Minister of Agriculture, who led the Canadian delegation at the meetings of the food and agriculture organization held at Quebec and Washington. In addition, the delegation will consist of the following:

Doctor G. S. H. Barton, Deputy Minister of Agriculture (alternate chairman of the delegation).

Mr. J. D. Kearney, the Canadian Minister to Norway and Denmark.

Mr. D. Roy Cameron, Dominion Forester.

Doctor E. S. Archibald, Director of Dominion Experimental Farms.

Doctor J. F. Booth, Department of Agriculture.

Doctor L. B. Pett, Department of National Health and Welfare.

Mr. J. B. Rutherford, Dominion Bureau of Statistics.

Doctor A. W. H. Needler, Department of Fisheries.

Mr. A. Gosselin, Department of Agriculture.

Mr. H. H. Hannam, Secretary, Canadian Federation of Agriculture.

Mr. Clive Planta, Secretary-Manager of the Fisheries Council of Canada.

Colonel J. G. Robertson, Canadian Agricultural Commissioner in the United Kingdom.

Mr. Douglas Roe, Commercial Secretary for Canada (timber specialist).

Mr. J. H. Tremblay, Commercial Secretary (Agriculture).

Doctor W. C. Hopper, Department of Agriculture, secretary to the delegation.

The special meeting on urgent food problems held in Washington last May recommended that the director general of the food and agriculture organization undertake certain studies and investigations and submit his findings and proposals to the next conference of the food and agriculture organization. It also recommended that any conclusions of the conference concerning the establishment of new organizations or procedures designed to meet long-term problems in the production, distribution and consumption of food be referred to the united nations. The conference is, accordingly, being held at an early enough date to enable its conclusions to be reported to the next session of the general assembly of the united nations.

POSTAL SERVICE

PICTORIAL POSTAGE STAMPS TO BE ISSUED SEPTEMBER 16

Hon. ERNEST BERTRAND (Postmaster General): Mr. Speaker, I wish to make a statement in connection with the new postage stamps to be issued on September 16.

Our present pictorial postage stamps, which were first issued in 1942 and 1943 to depict the war effort of the Canadian people, are to be replaced by new designs in keeping with the turn from wartime pursuits to ways of peace.

No change will be made for the present in the 1-cent, 2-cent, 3-cent, 4-cent and 5-cent postage stamps which bear portraits of His Majesty the King.

On Monday September 16 of this year a new series of pictorial postage stamps will be issued illustrating the basic industries and raw materials of Canada, which are of such tremendous importance to the future of our country and the world. The new series of postage stamps will be of the following denominations and subjects:

8-cents, brown—Eastern Canadian farm scene, Ontario.

10-cents, olive-green—Great Bear lake, showing scene of first pitchblende discoveries.

14-cents, dark brown—Hydro-electric power station on Saint Maurice river, Quebec.

20-cents, carbon-blue—Combined reaper and harvester, prairie provices.

50-cents, green—Lumbering operations in British Columbia.

$1, purple—New train-ferry, with fishing-boat, Prince Edward Island.

7-cents air mail, blue—Canada geese in flight near Sudbury, Ontario.

17-cents air mail and special delivery, violet blue—Transatlantic mail plane over Quebec City.

10-cents special delivery, green—The arms of Canada, with laurel and olive branches symbolic of victory and peace.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

SHIPMENT OF CANADIAN GOODS TO SPAIN

Mr. BENTLEY:

1. What is the total, in dollar value, of Canadian goods shipped to Spain since May 8, 1945?

2. What amounts, in dollar value, of these goods were: (1) food, (a) raw; (b) processed; (2) textiles, (a) raw; (b) manufactured; (3) metals, (a) raw; (b) ingots; (c) manufactured?

3. What are the amounts, in dollar value, and classes of goods imported into Canada from Spain since May 8, 1945: (1) directly from Spain; (2) which had their origin in Spain?

Mr. MacKINNON:

Note.—Figures quoted in 1 and 2 are for the period from May 1, 1945, to June 30, 1946 (Not available from May 8, 1945).

1. $672,571

2. (1) (a) nil.
(1) (b) nil.
(2) (a) nil.
(2) (b) nil.
(3) (a) nil.
(3) (b) $585,545 (aluminum).
(3) (c) nil.

3. Note.—Figures are for the period May 1, 1945, to May 31, 1946.

(1) Total imports—$5,696,193.

Principal commodities imported.—

Olives in brine	$1,258,127
Nuts	2,435,595
Pickles	11,457
Olive oil	33,235
Spices	39,857
Liquorice	6,279
Brandy	34,058
Wines	647,099
Essential oils	4,490
Crude drugs	37,661
Vegetable flavourings	14,147
Fish	27,540
Gut and manufactures	6,961
Corks	68,008
Cork slabs and boards	504,642
Cork manufactures	4,269
Wood manufactures	9,637
Mercury	11,762
Salt	3,250
Tartaric acid	360,261
Cream of tartar	42,218
Sportsmen's fishing tackle	4,060
Packages	15,038
Jewellery	8,347
Precious stones	69,307

(2) Information not available.

*T.C.A.—AIR TRANSPORT "NORTH STAR"

Mr. FRASER:

1. What was the total cost to the T.C.A. for the purchase of the new air transport "North Star"?

2. Was the total cost price paid to the Canadair Ltd.?

3. If not, to what other firms, or individuals, were moneys paid?

4. What was the total cost of parts and equipment imported into Canada for the building of this air transport?

5. Was the ship built by tender, contract price or by cost-plus price?

Mr. HOWE: Perhaps I can answer this question verbally.

The answer to the first question is that Trans-Canada Air Lines has not purchased this aircraft. It is being built in a government-owned plant for government account. After the average cost of the first twenty planes has been determined, the plane will be sold to Trans-Canada Air Lines accordingly.

As to the second question, the plant is a government operation under management of Canadair; the cost has not been determined and therefore not paid.

Question 3, answered by No. 2.

With regard to the fourth question, that can be investigated. It is a very small fraction of the cost of the plane, I may say.

The answer to the fifth question is that it is built in a government-owned plant for government account.

Mr. FRASER: Mr. Speaker, the question really is not answered, because I have not yet been given the cost of the plane.

Mr. HOWE: I have not the cost myself, and it cannot be obtained until it can be averaged over the assembly line. There are other aircraft coming out from week to week and after we are able to average the total cost over, say, twenty aircraft we shall be able to give the house the average cost. The expenditures made to date are not all on one aircraft; they are on a number of them. I believe there are ten or twelve aircraft on the floor at the present time, and the components of a great number of others are included in the over-all cost. The answer can be given in due course, but not in the next few weeks.

PARIS PEACE CONFERENCE—BIG POWERS AND SMALL NATIONS

Mr. POULIOT:

1. Who made a distinction between big powers and small nations, and when and for what particular consideration was such distinction made?

2. What are, (a) the big powers; (b) the small nations?

3. Who leads the small nations at the Paris Peace conference, and in virtue of what authority?

4. What is the present international status of Canada? Is she, (a) a big power; (b) a middle power, or (c) a small nation, and why?

5. Was Canada's status changed from that of small nation into that of middle power? If so, when and why?

6. What is the difference between, (a) a big power and a middle power, and (b) between a middle power and a small nation?

Mr. ST. LAURENT: The expressions "big power", "middle power" and "small nation" are not designations recognized in international law. Article 2, paragraph 1, of the charter of the united nations sets forth that "the organization is based on the principle of the sovereign equality of all its members". Article 23, paragraph 1, of the charter states that "the republic of China, France, the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland and the United States of America shall be permanent members of the security council". In article 27, paragraph 3, it is provided that decisions of the security council in other than procedural matters "shall be made by an affirmative vote of seven members, including the concurring votes of the permanent members". Apart from the naming of certain states as permanent members of the security council—a distinction also made in the covenant of the league of nations—and the requirement that for certain purposes under the charter the concurring votes of the named states are necessary, there is no legal distinction between the position of all the members of the united nations.

QUESTIONS PASSED AS ORDERS FOR RETURNS

STRIKES AND LOCKOUTS

Mr. GRAYDON:

1. How many (a) strikes; (b) lockouts, have occurred in Canada during the year 1946?
2. In what plants did said strikes and lockouts occur?

Mr. MITCHELL: Return tabled.

RADIO BROADCASTING—C.B.C. AND PRIVATELY OWNED STATIONS

Mr. GRAYDON:

1. How many radio stations in Canada are owned and operated by the Canadian Broadcasting Corporation?
2. Where is each located?
3. How many Canadian radio stations are privately owned and operated?
2. Where is each located?

Mr. McILRAITH: Return tabled.

[Mr. Pouliot.]

ARMY REJECTION OR MEDICAL DISCHARGES AT CAMP BORDEN

Mr. DIEFENBAKER:

1. Have any criminal proceedings been taken or are any contemplated in connection with an alleged conspiracy arising out of the improper use of army rejection or medical discharges at Camp Borden since 1943?
2. (a) Was the matter investigated by the R.C.M.P., and did they recommend prosecution; (b) were any instructions given by the Department of Labour to the R.C.M.P., with regard to the matter of prosecutions? If so, what were those instructions?

ARMED FORCES—TRACTORS—MANITOBA

Mr. JUTRAS:

How many tractors has, (a) the army; (b) the air force at each of their camps and stations in the province of Manitoba that are not being used?

LABOUR CONDITIONS

TYPOGRAPHICAL UNION—SOUTHAM NEWSPAPERS

On the orders of the day:

Mr. STANLEY KNOWLES (Winnipeg North Centre): May I direct a question to the Minister of Labour? Can the minister make a statement indicating what progress he has made, since he received the report of the Lett commission, in bringing together the principal parties to the typographical dispute?

Hon. HUMPHREY MITCHELL (Minister of Labour): Mr. Justice Richards has agreed to endeavour to get the parties together.

Mr. KNOWLES: Hear, hear.

Mr. MITCHELL: At present he is in Winnipeg. I should like to say that this is not the first time that an attempt has been made; but I am nevertheless hopeful that some good will come out of it this time.

PRICES AND TRADE BOARD

HANDLING OF RATION COUPONS BY BANKS—BANQUE PROVINCIALE DU CANADA

On the orders of the day:

Mr. J. G. DIEFENBAKER (Lake Centre): I should like to direct a question to the parliamentary assistant to the Minister of Finance. According to a return brought down yesterday, the licence of the Banque Provinciale du Canada for the transaction of business in connection with ration coupons was to end on July 31, namely yesterday, and there was an application for reinstatement on the part of the president of that bank. What decision has been made by the wartime prices and trade board in this matter, and is the permit to be continued?

Mr. R. W. MAYHEW (Parliamentary Assistant to the Minister of Finance): I cannot give a definite answer to the hon. member as to whether this bank is being reinstated or not, but the door was left open to them; if they would comply with the wartime prices and trade board regulations they would be reinstated. I will give the hon. gentleman a definite answer later on.

Mr. DIEFENBAKER: Well, Mr. Speaker, the discontinuance of the right terminated yesterday, and I am just asking whether the bank is continuing to transact business, having complied with the regulations of the wartime prices and trade board.

Mr. ABBOTT: The parliamentary assistant to the minister said that he would get the information and give it to my hon. friend. I imagine that he intends to give it to him to-morrow.

Mr. MAYHEW: After all, this is only the third or fourth hour of the first day after the termination. I will get the information as soon as I possibly can.

Mr. DIEFENBAKER: It has gone on for five weeks.

PRIVILEGE

MR. ROSS (SOURIS)—REFERENCE TO STATEMENT IN OTTAWA "JOURNAL"

Mr. J. A. ROSS (Souris): Mr. Speaker, on a matter of privilege, a Canadian Press dispatch as reported in this morning's *Journal* states:

> Mr. Ross praised the work of Canadian hospitals overseas and said they were responsible for the low rate of casualties in this war He hoped the veterans' hospitals in Canada would have the same type of nurses and doctors that served overseas . . .
>
> Mr. Ross said parliament would have to take up the question of building homes for the older veterans who lived alone and had no one to help them.

I would deem it a great honour to receive credit at any time for the remarks made by the hon. member for Royal (Mr. Brooks) on behalf of the veterans, but, with all due deference, these remarks should have been credited to the hon. member for Royal. I did not speak on the measure yesterday.

Mr. MACKENZIE: We accept the explanation.

Mr. BROOKS: I thank the hon. member for his remarks.

PENSION ACT

ENLARGEMENT OF SCOPE AND APPLICATION—REORGANIZATION OF COMMISSION

The house resumed from Wednesday, July 31, consideration in committee of bill No. 329, to amend the Pension Act—Mr. Mackenzie—Mr. Macdonald (Brantford City) in the chair.

On section 1—"Department".

Mr. POULIOT: Mr. Chairman, I have just a few remarks—

The CHAIRMAN: The hon. member for Kootenay East.

Mr. MATTHEWS (Kootenay East): When the committee rose last evening at six o'clock we had been considering section 1 of this pensions bill, and I was speaking of two special cases which to my mind called for adjustment. The parliamentary assistant to the Minister of Veterans Affairs objected to these individual cases being brought on the floor of the house. These men have appealed to me for help. They are not permitted to come on the floor of the house and speak for themselves; they can only speak through their elected representatives. The fact remains that there are many of these special cases that need adjustment in order that justice may be done. I assume, Mr. Chairman, that all these cases have been before medical boards and pension boards and have been thrown out. That does not mean that justice has been done, by any means. Doctors can make mistakes, and they often do. Pension boards also can make mistakes. They have made mistakes in the past, and somtimes action has been taken and those decisions have been reversed. Sometimes I wonder what is behind this refusal to face the facts and to deal justly with these individual cases. Is it a matter of bringing about economy in the department? If it is, I would say that economy is being practised at the wrong end and upon the wrong people. We have a bill before the house now which seeks to raise the salaries of judges. We should forget all about raising the salaries of judges and fix our attention upon these individual cases.

The CHAIRMAN: We are not discussing the salaries of judges, which matter has been discussed in a previous debate during the present session.

Mr. MATTHEWS (Kootenay East): I am merely making reference—

Mr. TUCKER: Mr. Chairman—

Mr. MATTHEWS (Kootenay East): Excuse me; I have the floor. The hon. gentleman interrupts too many times and—

Mr. TUCKER: On a question of privilege, the hon. gentleman says—

Mr. MATTHEWS (Kootenay East): I object to the hon. gentleman interrupting. Has he a question to ask?

Mr. CRUICKSHANK: Sit down.

Mr. MATTHEWS (Kootenay East): Sit down yourself.

Mr. CRUICKSHANK: I am sitting down.

Some hon. MEMBERS: Order.

Mr. CRUICKSHANK: I know what I am talking about, which is more than you do.

The CHAIRMAN: A question of privilege can always be brought up.

Mr. TUCKER: The hon. gentleman said that I objected to these matters being brought up on the floor of the house. My objection—

Mr. IRVINE: That is not a question of privilege.

Mr. TUCKER: What I said is being misquoted or has been misunderstood. I urged the hon. gentleman not to bring up these individual cases when we were considering this bill. I would be the last one to suggest that anything that comes within the jurisdiction of this parliament should not be aired on the floor of the house. However, I suggest that the place to do this is when the estimates of the department having to do with the pensions commission are before the committee. If we are to interrupt the consideration of this bill to hear one side of individual cases, in fairness to the department I must take the time to go into the reasons for the decisions and explain them to the satisfaction of the committee. I did urge the hon. member yesterday not to press these individual cases on the consideration of this bill, and I ask him now to defer bringing them up until the estimates of the pensions commission are before the committee.

Mr. MATTHEWS (Kootenay East): If the hon. member had listened to me just for a moment or two longer he would have found that all of his speech was quite unnecessary. I do not think for one moment that the difficulty lies with the Minister of Veterans Affairs, because I believe he has a heart almost as big as himself. I have always found him to be most fair in dealing with anything of this kind. However, if there is departmental red tape I maintain that some of that red tape ought to be cut so that these individual cases may be dealt with in the way that the people in Canada would have them dealt with. I believe that the hearts of the people of Canada are sound as far as the treatment of veterans is concerned. I urge a rehearing of these cases.

Mr. MACKENZIE: This matter was taken up by the hon. member for Vancouver East in 1943. I have all the correspondence, and I shall be glad to give it to my hon. friend for his consideration and attention.

Mr. POULIOT: As you know, when the house is in committee no member adjourns the debate because there is no debate; it is just discussion. I rose first, but as a matter of courtesy I let the hon. member have the floor so that he would not be deprived of the opportunity of continuing his speech. I could have kept the floor, but life is short and we should adopt a conciliatory mood in discussing this bill.

As I understand the purpose of the Pension Act, it is to give an opportunity to members of the armed forces who have suffered disability to obtain compensation for that disability in order that they may be placed in the same position as that in which they would have been had they not joined the army. It is simply a matter of equalizing things as much as possible. I ask the minister or his assistant or the former minister to correct me in what I am about to say if I make some statement that is wrong. I consider this matter so serious that we should take the utmost care in dealing with it. But first I should like to refer to a report of the Canadian Press which appears in the papers to-day. This is an excellent report, but I spoke quite fast yesterday and one statement has been misunderstood.

Murder case No. 5 which I gave yesterday to the parliamentary assistant to the minister refers to a boy who came from my county. I have in my mind another file which was transcribed in longhand by the parents of a boy whose number was B-621503 and who came from Toronto. He suffered cruel treatment at the hands of the army medical corps in the maritime provinces. This is another murder case. I believe that in each of these cases the parents are entitled to compensation. No matter what compensation they receive it would not compensate for the loss they have suffered.

I sent this to the Department of Veterans Affairs. After these files have been returned to me by the heads of the Department of Veterans Affairs I intend to send them to the Department of National Defence so that there may be sanctions imposed against those who are not doing their duty as medical men.

What is the use of complaining? When we complain of unjust treatment we are replied to by precisely those who are guilty, and naturally we are confounded. They lie like Ananias, but what they say is taken as gospel. All they do is try to save their own skins. Of course there are able men in the army. While I was fighting the cases of men who were suffering from disabilities I received a letter from a gentleman in Toronto who told me that his brother-in-law was one of the army doctors and that he was a reputable physician and surgeon. I sent him a copy of *Hansard* which contained my remarks, which were based not upon abstractions but upon facts, and asked him if he had anything to say please to tell me and I would be ready to correct anything that was not according to the facts that I might have stated in the house. I never received a reply.

The dean of the faculty of medicine of Laval university in Quebec wrote to me and said that I had been unfair to some men in the army. I admit at once that some of those who were in the Quebec district were fair.

Mr. TUCKER: On a point of order, I would ask my very dear friend from Temiscouata if he would not permit this pension bill to go through, and take up this grievance, which has to do with something which happened to a man under the jurisdiction of the Department of National Defence, with that department. As to the matter of the mother of this man getting a pension, I am informed that at any time she is in necessitous circumstances or needs a pension she is eligible to get it. The matter is still under consideration from that point of view. I must repeat the plea which I made to the hon. member for Kootenay East, that this legislation be permitted to go forward on its merits and any grievance be brought up when the estimates of the respective departments are under discussion. I can only ask my hon. friend to do that, I have no right to insist on it.

Mr. POULIOT: Surely. I will tell you, sir, that the kind feeling which the hon. member for Rosthern has for my humble self is most warmly reciprocated, and he knows it. But I am not dealing with a particular case, because I shall mention all the facts. Incidentally I mention one case because I want to establish some principles for the guidance of those who will have to interpret the act. The question is not to railroad this matter through but to see that the act is rightly interpreted by those in charge after it is passed by the House of Commons. If I made a sacrifice to come from my beautiful part of the country, particularly at this time of the year, I mean to do something; I mean to perform a task; I mean to accomplish a duty, and this I shall do to the best of my ability for the sake of all the men who belong to the Canadian army or real Canadians who were in one of the allied armies—and I hope that this measure will not be a disguised form of mass immigration. It may be that because of the delay between the end of the war and the establishment of domicile in Canada all the trouble-makers, the Arabs and the Jews of Palestine, will be permitted to come and settle in Canada and get the same treatment as a truly red-blooded Canadian who has been in the armed forces. To this I object very strongly. But not only that, sir; I want the men of the first great war who have not been dealt fairly with until now and the boys who have been in the army in the second great war, to receive fair treatment and better treatment than most of the boys have received up to now.

Sir, you know very well that it was taken for granted by many medical officers that the boys who complained of some unfitness or disability were complaining because they were slackers, because they were afraid to fight, because they were lazy fellows, because they did not want to drill, and so forth. Consequently they were not given the attention they deserved. It was the same thing when as a lad of ten or twelve I was a boarder at a college. We had a doctor, and every time somebody was suffering from some ailment, a common cold or anything of the kind, he was given the same drug, which was inoffensive. It was good for all, because the children in college were young; they were supposed to be well, and there was nothing wrong with them. When they cut their fingers they received the same treatment as they did when they had a cold.

Mr. MacNICOL: Was it castor oil?

Mr. POULIOT: No, it was something which looked very much like H_2O—plain water. The Pension Act must be interpreted in a different spirit from what it has been up to now by a large number of the officials of the department.

As I said yesterday, I am ready to give the benefit of the doubt to these gentlemen. I am ready to cooperate with them. To my knowledge Brigadier Melville has done very well in some cases, although he is somewhat handicapped by the large burden he has to carry as head of the pension commission. I say to Mr. Woods, the deputy minister, that I am ready to cooperate with him. I consider that his appointment is a progressive step over the maintenance of his predecessor in office.

The pensions question is a big question. If things have to be equalized they have to be equalized in all fairness and in all justice to all. Because Mr. So-and-so has applied for a pension it does not follow that he should get it while the other fellow who is just as worthy of a pension cannot get it. On the other hand, if Mr. So-and-so is not entitled to his pension he should not get it any more than the other fellow who does not deserve it and does not get it. The minister will agree with me in that. It is simple; it is obvious; it is elementary. What I regret is that we have to preach in the house things which are simple, elementary and basic just because of the atmosphere here. When it is impossible to discuss any question on its merits we have to discuss it from a sentimental point of view. The minister, his assistant, and all my colleagues know full well that I am always ready to help and cooperate with them in promoting the welfare of the men who have been or are still in the army. I will not mention the details of this case, but I will tell you, sir, when a Victoria Cross winner from far distant British Columbia passes over the head of all the legion to send an S.O.S. to the member for Temiscouata, when one of the great heroes of the last war does that, and when the parents of a child who has been murdered by the medical corps, both father and mother, take the trouble to transcribe the file by hand and send it to the member for Temiscouata, I feel just as much honoured as if my breast were covered with all the medals of the commander in chief of the allied armies. If those people do that it is because they believe that there is a man who lives far away from them, whom they have never met, who is ready to fight their case against anyone. In this instance I hope that I shall not fight their case against anyone, that I will fight their case with everybody and finally obtain success, and I hope it will not take too long.

Mr. BROOKS: May I say to the hon. member that his experience is the experience of practically every hon. member in the house.

Mr. POULIOT: I know that.

Mr. BROOKS: We have all received letters.

Mr. POULIOT: I know that, but I appreciate the fact that I have been singled out by these people. They have written to me, although they have never met me. I do not say that in a boastful spirit, but I say it because I have done my very best. Perhaps it is the only reward I shall get, but I appreciate it the more for that. I give credit to the Minister of Veterans Affairs and to his parliamentary assistant, as I did yesterday. Whenever I spoke to them they gave me the attention that the cases deserved. That was most appreciated; and it is precisely because I have confidence in them that I again appeal to them to see to it that all wrongs are redressed and that justice is done those who have suffered so much. Here is the file. I told the parliamentary assistant I would not mention the facts, and I have kept my word; but I have enough confidence in them to give them my private files. I have nothing to hide; it is my public duty. Other hon. members are in the same position; I am sure they also have to take up cases which have been sent to them by Canadians whom they have never met, and because that has been their experience I appeal to them to help me in my struggle for these poor men and women who suffered so much anxiety during the war, while their loved ones were in the fighting lines.

That having been said, I have a great sorrow in my heart because of the fact that the young men have been told most dangerous things. They were told that a million jobs were ready for them; that when they came back jobs would be waiting. It was not true. Probably it was said in good faith, and again I give the benefit of the doubt to those who said it; but it is precisely because that statement about a million jobs being available to the young men who were to come from the army after the war was not exact that the Pension Act should be interpreted very liberally with regard to them. What often happens? The boys are told that the disabilities from which they suffer existed before they joined the colours. If that is true, how is it that in most cases they were graded A, as perfectly fit? Later they were told, "Well, it happened before you joined the colours, and you are not entitled to anything." How many times did I have to write the minister just because of the stupidity of those who are the heralds, the champions, of red tape. He helped me to redress these wrongs, but it took a long time; and why should these boys have to suffer in the meantime? The mechanism of the pension department should be on ball-bearings that are well greased, so that action may be taken immediately. Why should a boy wait for months, or for a year or two years, before getting an answer which is in accordance with the facts and which satisfies his mind that he has received justice?

This is the more important at the present time because the boys are being induced to accept false theories; they are given a false picture of public business. It would be a matter of the utmost regret if the boys who fought in the forces for many years, or for any length of time; the boys who joined the

colours, soldiers, airmen, sailors or draftees, lost faith in and respect for our parliamentary institutions. To-day I do not rise only as a member of Liberal faith; I rise as a member of parliament who wants these and all our institutions to be respected by the young men in order that they may have faith in them; in order that they may realize that when they appeal to parliament, when they appeal to any one of those who occupy high positions in the civil service, they are entitled to fair play and justice, and that they shall not appeal in vain. We have reached a time when the question is not that of maintaining popular confidence in any one of the parties or groups in this country, but of maintaining the faith of the public in our parliamentary institutions, and it is up to us to correct all that is wrong in the mechanism of those institutions. It is most important with regard to the Pension Act and with regard to all the acts concerning those who have been in the armed forces. It is important with regard to every piece of legislation. I remember that during the war I complained many times that we were passing legislation only for taxation; we were passing a lot of it, but principally for that purpose. We are still passing a lot of legislation with regard to taxation, but we also pass a great deal of legislation for other purposes. Yesterday the minister had the grace to indicate to me the amount of expenditure likely to arise out of this legislation. It is a very large amount, but I am not entirely satisfied with his answer, and in due course I will ask him to give the house the total prospective expenditure under each of the measures he has sponsored, so that we may know what is going to be done for the men and what it is going to cost.

There is something else. I was about to speak of this yesterday, but my time was too short. When another government was in power I suggested that all taxes should be earmarked so that a Canadian citizen would know what he pays his taxes for. I wonder if it is not possible to earmark some of the taxes that will go to pay the cost of what is being done for the returned men, so the people will know those taxes are being paid as a tribute to those who served their country well, or to the dependents of those who gave their lives for their country. I may be told that the exchequer is a kind of melting pot, that it is impossible to keep track of the taxation received; but I believe our taxes would be paid by the Canadian people with more satisfaction if they could be earmarked in some way.

In conclusion, sir, I hope the act will be interpreted liberally with regard to real Canadians; those who have been born in this country or those born outside this country who made Canada their home long enough before the war to show their sincerity. It is very important. Newcomers who have been in other allied armies should not have the same treatment as Canadians. If we make sacrifices for our own people, we are not ready to make sacrifices for the newcomers who come here to take advantage of the horn of plenty which is supposed to be for the benefit of our own people.

Just a few days ago I met an old gentleman —only relatively old, because his heart is young. He urged me to make an appeal about communism. When I replied to him I was speaking of youth and for youth. I said to him, "Sir, I know your grandson; he is a fine boy. The next time you see him, put to him a question. Ask him if imperialism is the kind of theory that appeals to him. He will surely tell you that this is the policy that has been so dear to the hearts of the former generation, but that those boys have not been impressed by it at all. They were coming here as Canadians at heart, ready to do something for this country, and to make it greater than ever. Ask him to choose between communism and patriotism."

Well, communism is not the first choice; patriotism is the first choice. But how is it that we have to reeducate the Canadian people about what was taken for granted by the generation which preceded us? All hon. members have been at school or at college. Were they ever taught patriotism? I was taught in the family. Of course those of the family are dearest to the hearts of the parents, dearer than friends would be. Friends are dearer than strangers. But those who live within the bounds of the home country should have bonds and ties in common because their interests are common. They should have the same ideals. The boys should understand that when something is done for them it is a preferential treatment that is not given only to sailors, soldiers, and airmen. It is a preferential treatment that is given to Canadian sailors, soldiers, and airmen. They must have first choice. The state must do all it possibly can, in a reasonable way, to help them out and to make them understand that their mission is not to cross the border and try to find a livelihood in the United States, where food is now scarce. They will have a better life in Canada than they would have in the United States, and that must be told to them. They must be told, because they will wear the burden of debt which we have increased to such an extent. They must have confidence in their country—in this country. And they will have it only as patriotism is

preached to them. Then, if they have the same principles and the same feelings as we were taught, they will think of Canada first and will never believe in the theory of communism, which is the negation of the rights of the individual.

When I left that gentleman he said, "Well, that is food for thought. I will ask my grandson about it." I knew what the boy's answer would be, because he was a fine youth, like all the young men who have been in the army. I have faith in him; I have faith in the boys who were in the army, just as I have faith in all the youth of this country. But they will need more courage than ever to surmount the difficulties we have put in their way. We must help them to the utmost, so that they will remain as they are to-day, good Canadian citizens, making life better for the future generation than perhaps we have made it for them.

Mr. MACKENZIE: I wonder if I could have permission to make a quiet, gentle intrusion in the debate for three or four minutes.

Mr. POULIOT: You are always gentle.

Mr. MACKENZIE: I greatly appreciate the kindly sentiments expressed by the hon. member for Temiscouata, both in regard to myself and in regard to my brilliant parliamentary assistant. I must say however, as one who now for thirty years has been living closely with this pension problem, and knows much more about it than the hon. member does, that I never heard such demagogic nonsense in the house in that time as that to which I have just listened. Canning once said:

A statesman of the world alone,
A friend of every country but his own.

There is no country in the world has done so much for her fighting soldiers as has this country of Canada. I resent and I repudiate as strongly as I can the assertions of the hon. member for Temiscouata. Look at your estimates. You are a taxpayer, and a soldier is a taxpayer too. There are $690 million this year in the main estimates, and $175 million in the supplementary estimates, making a total of $865 million. The total cost of rehabilitation is estimated at $1,500 million, and that for a population of a little over 12 million. And yet we get this demagoguery in the House of Commons of Canada!

The heart of parliament is kind; the pulse of parliament beats true. I have sat on every committee since 1919. I have fought the battles of the returned soldier of Canada, and I am still fighting them—now with authority, previously without authority. And I resent and repudiate silly, stupid animadversion such as we have listened to from the hon. member for Temiscouata.

This parliament will always be generous; this parliament will always be just to the great cause of those who have suffered so in the cause of freedom, the cause of civilization, the cause of Christianity. I say this silly animadversion should be absolutely discarded by members of parliament.

Mr. POULIOT: I will ask the minister to mention a statement that he finds silly demagoguery. I know that he has reached the boiling point, but I want to know what he finds silly and demagogic. If he does not mention it, then I shall believe that he is the one. I would not like to be in the position of having to withdraw the words I have used in regard to him.

Mr. MACKENZIE: Agreed.

Mr. POULIOT: But when I speak about the danger of communism in youth, I know what I speak of—and every member of the committee except the minister knows what I speak of. It is a danger. I have never denied that the country has done well for the soldiers in terms of money. But the government will not bring to life the boys who died because of the declaration of war by Canada, made by old men.

I will tell the minister what I read in the *Monetary Times* not long ago in answer to a question which had been put by several returned men regarding conscription. This article, which appeared in the issue for August, 1945, is by L.M.V. of Hamilton, and it states:

I have just returned from four years overseas, fighting for permanent peace. I do not think we should have compulsory military service for Canadians in peace time. And I don't think the opinions of those who are not eligible for same should count. I think we should make the San Francisco agreement and every subsequent agreement work . . . not for the next war, but for the permanent peace for which I returned but many of my friends did not.

Mr. TUCKER: Mr. Chairman, either I must now rise to a point of order in respect of the remarks of the hon. member for Temiscouata, or we must accept the proposition that every other member of this house can get up and discuss anything and the rules be thrown out of the window. I ask you to call my hon. friend to order, to ask him to keep to this bill and to observe, as every other member must, the rules of the house.

Mr. POULIOT: On the point of order, Mr. Chairman, I will tell you why I quote this, and I have only one more sentence to read.

If the suggestion made by this returned man had been acted upon earlier, the Pension Act would not have been necessary, because we would not have had world war II or world war I. It is precisely because the amount involved in pensions is of such magnitude that we must take every means of preventing in the future another disaster such as world war II was. I do not want a world war III, as I said yesterday, and I am not going to be bullied by anyone here in this house.

Mr. MACKENZIE: Neither are we.

Mr. POULIOT: I should be very sorry to lose the good opinion and esteem I have for the minister and his parliamentary assistant, but this must be a free parliament in a free country, and if a member of parliament has not the right to offer to this committee the suggestions for preventing future wars which have been offered by one of our soldiers who fought for freedom, this is no longer a free parliament. It is precisely because I believe that the greatest treasure of this country is the lives of good Canadian citizens that I have been speaking as I have. Members are most generous in listening to me as they do, and I appreciate that. I hope that the minister himself will understand that it is not because of lack of cooperation that I stand up to-day in this house and speak as I do. I do it as part of my duty as a member, not only as the member for Temiscouata but as a member of the House of Commons of Canada. We have a duty to fulfil and I give credit to all my colleagues and to the minister for doing their best. But if the parliamentary assistant had not interrupted me I would have finished the quotation and my remarks long ago. It is precisely because he interrupted me that I have to explain to you, Mr. Chairman, and to the committee why it is of the utmost importance that I should be allowed to finish reading these few lines from a returned man who is not a member of the House of Commons but who nevertheless has a right to be heard and be listened to by all the members. I await your decision, Mr. Chairman.

The CHAIRMAN: I think the hon. member for Temiscouata should be allowed to finish reading the few lines he desires to read, and then may I ask all hon. members to confine their remarks to the Pension Act. Discussion should be directly relevant to the measure now before us. Wide scope has been given to-day and was given yesterday in this discussion, but I am sure I express the wish of the vast majority of the members of the committee when I request all members, when the hon. member for Temiscouata has finished his remarks, to make their speeches strictly relevant to the Pension Act.

Mr. POULIOT: Thank you, sir. I will continue with the quotation:

> I suggest every parliament in every country on earth enact legislation that only men over forty can be drafted for service in the armed forces. If we could make that stick, perhaps we could eliminate war from the face of the earth for ever.

Mr. CHURCH: I do not wish to detain the committee for more than five or six minutes, because I am a civilian, though coming from a soldier city. I should like to observe first of all that we shall be here until Thanksgiving day if we keep on discussing bills the way we are doing, and it was for that reason, in order to expedite the business of the house, that I took no part in yesterday's proceedings, on these resolutions, particularly as we have in this party, as in all the parties in this house, soldier representatives who are particularly well qualified to speak on soldier legislation.

This is the most important bill that we have had before us for many years. First of all it defines "department" and it repeals and amends certain pension legislation passed in 1927 and 1928. Then it goes on in the second clause to redefine "hospital allowances", extending pay and allowances or compensation to a large number of people.

I wish to speak on two matters particularly. The first is the definition of "department". In these days the work of many departments is being transferred to other departments, and I was hoping that we would have a department particularly concerned with soldiers' welfare. I think one of the main needs of the soldier is for a home for his wife and family to live in. Before the war in the city of Toronto sixty-seven per cent of our people owned their homes, but during the war many of our Toronto veterans lost their homes. That is why I should like to see the matter of houses for soldiers transferred to the department which has to do with soldiers' welfare. As I said, nothing concerns the soldier more than a roof over his head for himself and wife and children, and the fact that our soldiers have not houses to live in is costing the government a great deal of money in allowances. We have a large number of soldiers in our city. Also many soldiers from all parts of Canada have come to Toronto and are going to stay there. No city has contributed more than Toronto in the way of soldiers' aid.

I wish to compliment the veterans affairs committee on the good work it has done for the soldier. Tho hon. member for Temiscouata has referred to a great many matters

this morning. He seems to have inherited the spirit and mantle of Sir Wilfrid Laurier. He also wears the old school tie. There are few on the government benches who now do wear the same old school tie.

I visit 55 York Street, Toronto, once in a while and I am pleased with a great deal of the work that is done there. We have a large number of soldiers in this party, including two Victoria Cross men. The government party and all the other parties in the house have a large number of soldiers in their ranks, and I have been content this session to leave to them the discussion of matters particularly affecting the soldiers, because I have felt that they were doing a real job. I want to compliment the members of the veterans affairs committee on the work they have done for the soldiers. I should also like to compliment the hon. member for Vancouver South and the hon. member for Nanaimo and all the other soldiers who have participated in the work of that committee.

I should like to see the department expanded along the lines I have suggested, so that it would really be a soldiers' welfare department. The soldier goes to the soldiers' welfare in Toronto at 55 York street; he gets his grant and gratuities and goes and puts the money in the bank. Several banks, such as the Dominion at the corner of Yonge and North Park, do a big soldier business. I have talked to some of the soldiers and soldiers' wives who go there, and I find that they pay in this money they have; they also borrow money; the wife has been frugal while her husband was away, and they go down to the lawyer and deposit money for a house and the title to it. Now they cannot get into the home. I had hoped that the health and welfare department would consider this feature, but it has not done so, and there is no other department doing it. I see in the Toronto papers almost every week letters from veterans and their families complaining about this feature of the work, and I wish the department had considered it. I referred to this on Tuesday last on the third reading of the housing bill.

The second matter is this. I appeared before the veterans committee about it. As you know, this new bill deals with a number of antecedent matters: the work of the military commission, Department of Civil Reestablishment, the Department of Pensions and National Health, and matters going back as far as the acts of 1927 and 1928. Now I wish to compliment the minister, and I was going to compliment the parliamentary assistant, because he comes from a district which is affected by a branch of this work which has not been attended to; I refer to the Northwest field force of 1885. No veteran in the present parliament can afford to forget what the three prairie provinces owe to those who took part in military operations in that rebellion. I appeared before the committee on June 11 on behalf of the dependents of those volunteers, to try to clear the matter up. A year ago provision was made in the regulations, section 4, as follows:

> In this part, unless the context requires, "veteran" means (a) any former member of the Northwest field force who served in a theatre of actual war in the northwest rebellion.

The proceedings are reported in minute No. 30 of the veterans affairs committee. We owe this regulation, I believe, very largely to the present Minister of Veterans Affairs. After a long series of arguments in the house and before the committee the allowances were extended to the Northwest field force, but in effect it has given no help at all. A "means test" is applied to these people. A means test is the meanest test I have ever seen; it is well called a "means" test as it bears upon these poor people, widows and children who would get about $40 a month but are deprived of it because they receive some small revenue from an old age pension or some other source of income. I had hoped that this would be a real clean-up bill of soldier grievances. That is what it should be. I was hoping that we would conclude a long chapter of suffering and injustice in connection with this branch of veterans' legislation.

I wish to speak with appreciation of the work of the members of this group on the committee, and what they have done to extend the scope of the benefits, especially the hon. members for Vancouver South, Souris, Royal, N.B., and Vancouver-Burrard.

I should also like to express my appreciation of the fact that in this war we have had better doctors, surgeons and nurses. I know two or three of them who were at the university of Toronto when the war started; they served overseas and are now in Canada again, some of them in practice in our city. We have there some of the best surgeons in Canada. One, a former captain of the varsity rugby team, Doctor M. F. Williams, is a very fine young surgeon, now with one of America's greatest surgeons, Doctor Roscoe Graham. It is remarkable what progress preventive medicine, science, surgery, and medicine generally have made in this war.

As I have said, I was in hopes that this would be a clean-up bill so far as those are concerned who did not get a pension, men who enlisted and actually were accepted for

service after medical tests before one, two, three, four, five boards, who did not find anything the matter with them on enlistment. I agree that subsequent disability should entitle them to pension, and I am sorry the principle has not been adopted. I had hopes of the parliamentary secretary, who was in the chair when I appeared before the committee in the interests of the veterans who served in the 1885 rebellion. Very few of these people got anything. There were a large number of them from Nova Scotia, the old Haligonians and numbers from Hamilton, Toronto and other cities in eastern Canada, and some from Winnipeg, the men of the old 90th Rifles. These men pioneered for the whole of western Canada, and were pioneers of the militia too. Some of them served in the South African war, and their children and grandchildren took part in the two great world wars. Realizing the good work which this department has done, and seeing the plight of these people in my walks around my city, I feel it is a great pity that now a clean-up is being made it does not include them under the first section.

That is all I have to say, Mr. Chairman. I believe the committee as a whole deserves the thanks of the House of Commons for the zeal and diligence and study they have devoted to this question, which is the supreme question in its sacred significance with which we shall have to deal in this or any other parliament.

Mr. HLYNKA: I should like to inquire of the parliamentary assistant, not about an individual case, though I desire to illustrate the point I have in mind by mentioning a particular case. I wish to find out what can be done for widows and children of soldiers who were released temporarily to go into mining and who, while engaged in that occupation, were killed in consequence of an explosion. The particular case which was drawn to my attention does not come from my constituency, but this man has written to me stating that he had two sons, and both enlisted, one in the air force and the other in the army. The boy in the air force was killed while serving overseas. The other son was stationed at Halifax for about eighteen months, was married, and had one son. This young soldier was released temporarily by the Department of National Defence to assist in mining when that industry needed help. While he was engaged in this work at Luscar, Alberta, there was an explosion in the mine and he was killed. The father writes and tells me that he not only lost two sons but he has to support the widow of one son and also her child. Can anything be done to cover such unfortunate cases as the one to which I refer? It appears to me hardly fair for a father to lose two sons and then have to support the widow and her children as well.

Mr. TUCKER: The answer is that if the man was ordered out as part of his military duty he is covered just the same as if he went on any other military duty. But if he got leave of absence without pay he is not covered for anything that happened to him, because the presumption is that he engaged as an ordinary civilian in the occupation and would have the protection which any other civilian has. Several thousand soldiers were let out on leave of absence without pay in order to engage in farm work and so on. They were doing work which had no more to do with the army than that of a great many civilians who never enlisted in the army at all and who were working alongside of them. If they asked for leave to work on the farm and got leave of absence without pay of course they are not covered. It would depend on the circumstances. If this man was ordered to go there as part of his duty he would be covered; if he got leave of absence without pay presumably he would be covered in some cases at least by the proper civilian workmen's compensation act.

Mr. HLYNKA: The information I have is that the Department of National Defence directed this young man to go and assist in the mining industry. I appreciate what the parliamentary assistant has said, and I agree that when a man goes back into agriculture you cannot undertake to take care of his dependents under the army regulations. This may be a borderline case, but it seems to me that when a man is ordered by the Department of National Defence to assist in some industry, just because his family does not get dependents' allowances and he does not get his pay he should not be disqualified. I hope that the parliamentary assistant will do all he can to see that proper consideration is given to cases of this kind.

Mr. BRYCE: Does this bill provide benefits for a widow with an adopted son that are different from those in the previous act?

Mr. TUCKER: There is no change in that regard. An adopted child has always been covered.

Mr. BRYCE: I had a case which I brought before the department and it was ruled out.

Mr. TUCKER: Section 2 (c) defines "child" as a legitimate child of a member of the forces, whether such child is born before or

after the award of pension, and also includes his step-child, his adopted child, his foster child, or his illegitimate child.

Mr. BRYCE: I refer to a boy who was adopted when he was nine or ten years old by a veteran just after he came back from the last war.

Mr. TUCKER: That child would be covered by that definition. I suggest the hon. member resubmit his case for consideration.

Mr. CASTLEDEN: The proof of government policy is in the way it works out, and there are instances in which this act is not working. I may be referring to a part of the act which is most difficult to administer, but just two days ago my attention was drawn to an instance in which suffering and perhaps harm is being done. This particular young man passed his test A-1. He was sent to England, where he took his inoculations. Following his first inoculation he did not feel very well, but he continued his training. He broke down under intensive training in Great Britain, and suffered from shock. He was sent back to Canada in 1944, and the parents were notified that he would be discharged. He did not arrive home, and the parents finally received word from the department that he was being sent to Ste. Anne de Bellevue for treatment for nervous trouble. In May, 1944, the boy came home, but he was accompanied by an escort. Apparently he was a mild psychopathic case, but since that time he has proved absolutely useless on the farm. He is unable to do any work or to assume any responsibility. Before he enlisted he was a fine, strapping young man who was able to do his work and assume any responsibility, but for two years he has been wholly incapacitated. He lost his father, and the mother and another brother are trying to carry on. In spite of the applications and efforts made by the legion and other people in the area, the only report they can get from the department is, "nervous disorders, preenlistment origin, not aggravated by war service, and not pensionable." How do the officials of the department determine that such a case was of preenlistment origin? This boy passed into the army as A-1, and there is nothing on his record. How do they determine that? Do they question him?

Mr. TUCKER: I should be very curious to know whether they have exhausted all the rights under the Pension Act. There seems to be great misunderstanding about the way these things are dealt with. When the first application is made the pension commission goes over the documents and the ruling is made on the basis of the documents. When that is done, in some cases people immediately consider that the decision is outrageous because they know all the circumstances. All that needs to be done then is to ask that the case be considered by the commission. Then the family doctor can be called or any other evidence. A hearing is set quite readily. It must be admitted that some people try to create the impression that they can get a pension for somebody when nobody else can. There is then a feeling created that you have to put up a big fight in order to get what is coming to you. I assure the committee that if there is any evidence in connection with any of these cases that does not appear in the documents, it can be submitted to the commission. We are giving in this bill more complete recognition to the independent standing of the pensions advocates branch, the veterans' bureau, so that they may feel freer than ever before to fight for the soldier and see that he gets everything he is entitled to before the commission. I should like to know if the case mentioned by the hon. member for Yorkton has reached a point where *vive voce* evidence has been taken. That would be most important in a case of the kind. Evidence of the family doctor, if they had one, could be given as to his condition before he went into the army. The medical history is examined into most carefully. Neighbours could be heard, or any evidence at all that would show his condition when he went into the army. Suppose he had some sort of nervous trouble and had served in a theatre of actual war where his trouble was aggravated. He would get entitlement for the disability, unless he was covered by one of the three exceptions: first, unless he wilfully concealed it, which would not be the case here; second, unless it was obvious, which would not be the case here, I take it from what the hon. member has said; and, third, unless it was recorded on medical examination prior to enlistment.

I take it from what the hon. member says that this boy entered the army in good health and therefore he would not come under any one of the three exceptions. Even if he had been somewhat emotionally unstable at that time, if that condition was aggravated during service he would be entitled to full pension for his disability. I can only assume that the case cited by the hon. member has not reached the final stage, and I suggest that he take the matter up with the pension commission.

Mr. CASTLEDEN: I shall be glad to resubmit the case. I did not submit it myself; it was submitted by the legion. I advised them to do that, but the legion has not been able to get anywhere with it. I shall resubmit it and take it up with the department.

The parliamentary assistant has not answered my question. How would the department determine that that case was of preenlistment origin? Is it based merely on questioning of the soldier?

Mr. TUCKER: On the actual documentation which is on the file. The first decision is based upon the medical examinations and documentation on the file. The commission rules on that in the first instance. If that is not satisfactory, the man so indicates, and the matter is gone into further. It may very well be that the matter has not got to the stage where evidence has been heard from his family doctor, friends, and so on.

Mr. GREEN: Is it not a fact that often the decision is made here by a specialist who never sees the man?

Mr. TUCKER: He advises the commission, but the commission makes the decision.

Mr. CASTLEDEN: I had another case of a soldier who was wounded overseas.

The CHAIRMAN: Order. May I remind the hon. member for Yorkton that the committee agreed not to bring up special cases except to bring forth a general discussion.

Mr. CASTLEDEN: That is what I am trying to do. I am not building these cases out of the air. I have actual evidence of occurrences. I am not going to put any case on the record, but I know of a soldier who was wounded; the ligaments of his leg were torn and he was granted a ten per cent pension. The boy's condition grew worse; he was in constant pain and therefore could do practically no work. At times he was laid up completely; all he could do was to help his father on the farm. The department were asked if they could do something about it, and they asked that he be sent in for another examination. He was sent in for another examination and he came back. After I wrote the minister about it the pension was increased to fifteen per cent, which gives him about $10 a month. The boy still wanted to get evidence with regard to his actual disability. As a result of the disability he was in a cramped up condition and seemed to be getting no relief at all. His capacity for work was cut down to nothing. He and his father went to the family doctor. After the examination the father said: "I should like to have a report from you as to the actual disability of my son." The doctor refused to give him a report. He said: "I won't give you a report; I will send it in to the office in Saskatoon." What is a young man to do when a doctor refuses to give him a report?

Mr. MACKENZIE: A private doctor?

Mr. CASTLEDEN: Yes.

Mr. TUCKER: The only answer I can give is that he should go to another doctor who would cooperate with him.

Mr. CASTLEDEN: He will be put to a great deal of expense to go to doctors here and there.

Mr. TUCKER: After all, the doctor owed him an obligation if he examined him.

Mr. MACKENZIE: Ethically the doctor could not do it.

Mr. TUCKER: There is nothing in the act to prevent a doctor from telling a soldier what is his condition. In addition to that he could have the doctor brought before the appeal branch of the commission to give evidence as to the examination.

Mr. BROOKS: Would not the doctor's report on his file be available to the soldier or to the legion?

Mr. MACKENZIE: Yes.

Mr. BROOKS: At any time?

Mr. MACKENZIE: Yes.

Mr. MacNICOL: If the doctor to whom the hon. gentleman has referred was one who had any previous dealings with the department, would it encourage him to side in with the department instead of the soldier?

Mr. CASTLEDEN: I think he had been used in the department as a consultant.

Mr. MacNICOL: The hon. member's friend would not have much of a chance, then.

Mr. CASTLEDEN: He is in a difficult situation because this is the medical man in the area. It seemed to me that in justice the men should have the opinion of medical men outside of those employed or used by the government.

Mr. TUCKER: On that point, and just for the information of the committee, may I say that on the suggestion of the hon. member for Davenport that the medical men employed by the department are all against the men getting a fair deal—

Mr. MacNICOL: What did the hon. member say?

Mr. TUCKER: I understood the hon. member to say that this gentleman would not have much of a chance if the doctor was in some way connected with the department. I suggest to the hon. member for Davenport that all the doctors working for the department are themselves returned soldiers. I

suggest that without exception the department has no knowledge that they are not sympathetic toward the returned soldiers in seeing that they get a square deal. This will be borne out by some figures which I should like to give to the committee. I give them partly because there is a feeling that these cases are not dealt with as expeditiously as some hon. members would like. The amount of work the pension commission has done in the last year has been stupendous. As of June 30, 1946, the disability awards in respect of world war II were 44,199. That is disability awards alone. The dependent awards were 17,125, or total awards made by this commission in respect to world war II alone of 61,324. That means perusing the files, and all that sort of thing. It is a tremendous amount of work. Then when we brought the insurance principle into effect by order in council it meant reviewing thousands of files to give them the benefit of the act. Over 9,700 files had to be reviewed. Over nine thousand decisions were rendered in respect of restoration of the insurance principle alone. The total annual liability in respect of world war II is as follows: Disability awards, $13,250,190; dependent awards, $12,158,565. The total pension annual liability now amounts to $25,408,755. That is for world war II. Here are the figures for world war I at the same date: Disability awards, 73,079, with a total annual liability of $26,429,474; dependent awards amounted to 16,894, and the annual liability amounts to $10,560,562.

Mr. GREEN: That is this year?

Mr. TUCKER: That is up to June 30, 1946.

Mr. GREEN: The annual liability for which year?

Mr. TUCKER: The total annual liability as of June 30, 1946 was $25,408,755 in respect of world war II and $36,990,036 in respect of world war I. The total annual liability in respect of pensions for the two wars is therefore $62,300,000. The total pensioners for the two wars may be obtained by adding 61,324 to 88,973, a figure somewhere around 150,000 pension awards. I give these figures to the committee so that they may take into account some delays which have inevitably taken place. Hon. members can appreciate the tremendous amount of work which must have been involved in making these awards.

Mr. MacNICOL: I would not want any remark of mine to be regarded as a reflection on the medical profession. My remark was not based on any experience I have had with world war II. I had in mind three cases in connection with world war I in which the soldiers themselves told me that when they went to a doctor for an examination he gave them one report in each case, and later when they were sent by the officials of the hospital in Toronto to the same doctor, he gave them a different report.

Mr. MACKENZIE: We have changed all that.

Mr. MacNICOL: I am glad to hear that. I should be sorry indeed if what I interjected in the hon. member's remarks should be construed as a reflection on the medical profession. My remark was based on the three experiences—a limited number perhaps—of soldiers who themselves had felt that their cases had been prejudiced through having to go to the doctor the second time.

Mr. MACKENZIE: Not now.

Mr. MacNICOL: Personally I can say my own experience with the department has been very pleasant, and I have no complaint whatever with regard to the departmental officials. Later, when the right time comes, I am going to submit one or two cases to which the department has given a great deal of attention. I am very sympathetic toward the department, but I am also sympathetic toward these poor sufferers who, in their opinion in any event, are not being properly treated. Personally I should like to see the benefit of the doubt clause used much more than it has been used.

Mrs. STRUM: I should like to ask the minister where the final decision rests. Is it with the board; and what recourse does the family of the victim have? I am thinking of a case which has been thrust upon me for the simple reason that the family cannot afford legal assistance, and the boy in question is completely mentally incompetent; he no longer answers when he is spoken to, and his mental condition is such that he is quite beyond the reach of reason. I am not having any satisfaction in dealing with his case. I have written the department a number of times and received very courteous answers. The local doctor is new, a young man who has come there within the last year or so. He is also very sympathetic, but he did not know this boy at the time of his enlistment. The boy has been out of the army for two or three years. He is a victim of sleeping sickness contracted while in the army. His disability is not the result of military service, yet he contracted this illness while in training, and just on the point of embarkation. I should

like to know where the boy goes from here, because he is mentally incompetent and has no means of support whatever.

Mr. TUCKER: In the first place, if this disability was incurred during service it probably would be covered by the insurance principle which has been reintroduced in the act in respect of service in Canada, so he may find himself in a very different position now from that in which he would have found himself three months ago before this insurance principle was embodied in the law by order in council. In regard to looking after the claims of soldiers, in the first place the Canadian Legion is ready and willing to take up these cases. In addition, of course, there is the veterans' bureau, an organization of men trained in this work, most of whom do nothing else but present these cases and assist in their preparation. They will assist the boy and his relatives to get evidence, and I suggest that the hon. member direct this boy's relatives to the nearest district pensions advocate of the department. If she has any difficulty finding out where that advocate is located, any person in our department could give her the address. There she will find someone who is paid by the country to press the cases of boys like this.

Mrs. STRUM: I think it has already gone through that procedure, but what happens when nothing is done? What do you do then?

Mr. TUCKER: Well, my hon. friend is very pessimistic.

Mrs. STRUM: I have been working on it since February.

Mr. TUCKER: I suggest to my hon. friend that the law has been changed. I think the order in council went through late in June, and that change may make all the difference in the case she mentions. If she will give the case to the chairman of the pension commission I fancy she may cease to be quite so pessimistic about some of these matters.

Mr. LENNARD: Personally I have about twenty-five cases pending at the present time, but I do not propose to parade them all here now. I shall fight them out with the heads of the various branches within the department. If we are going to carry on in this way, bringing up individual cases hour after hour, we are going to be here until Christmas.

The CHAIRMAN: I think it has been agreed in the committee that no individual cases shall be brought up except to establish a general principle, and I think the cases hon. members have mentioned have been brought up in order to see what the principle is.

Mr. CASTLEDEN: I think that is very fair, but I do not want it to become a rule of this committee that individual cases are out.

The CHAIRMAN: I might inform the hon. member that it is not a rule, but the committee agreed on that procedure, as I understand it.

Mr. CASTLEDEN: Well, you do not bind individual members in that way, or take away their rights to bring up cases. Let us fight it out on that principle. I do not want to bring up individual cases; my intention is to bring up cases to point out instances where the procedure may have failed, so let us try to get the thing done without recriminations and without getting nasty about it. I think a great deal of the difficulty is that in psychopathic cases among returned men the relatives of the men in question do not understand the avenues of procedure, and are at a complete loss to know what they should do. If they were informed as to the procedure which should be followed; if they were given a little more knowledge and a little more information with regard to the steps to be taken, and the location of the offices in the various provinces, I believe it would assist a great deal.

Section agred to.

On section 2—Hospital allowance.

Mr. KIDD: I should like to say a word in regard to these hospital allowances, and I am glad the minister is in his seat. I want to refer briefly to the hospital set-up, and to express the hope that the good feeling now existing between the Department of Veterans Affairs and the general hospitals throughout Canada may continue. I shall take the local point of view and talk about my own municipality of Kingston. There we had five hospitals: the General hospital, the Hotel Dieu hospital, the mental hospital, the D.V.A. hospital and the military hospital. When mental patients are taken in at the D.V.A. hospital, however, they are sent to the mental hospital. In Ontario we have thirteen mental hospitals, one of which is at Kingston. My point is that the government more or less depends on private or other governmental interests to maintain an institution whose doors are open three hundred and sixty-five days in the year; I refer to the mental hospital. I believe that in each of these thirteen hospitals in this province there is an average of over one thousand mentally ill patients. If D.V.A. find it necessary to use the facilities of that insti-

tution, they are always available; and I understand it has been used by the department ever since the last war. I regret to say that in our mental hospitals there are some boys who have been in those institutions for nearly twenty-five years, and who have received fine treatment all that time. I do not think better care is being given mental patients anywhere in Canada than in the thirteen institutions in Ontario.

Then may I say a word in reference to the general hospitals. The same applies there. In Kingston we have a hospital which will accommodate four hundred patients. For the last twenty-five years a large proportion of the staff of this hospital has been returned personnel, and the situation is the same with regard to the medical profession. The point I want to bring out is that recently the military hospital was closed and the staff and patients were moved to Barriefield. In the early days, back in 1940, 1941 and 1942, when it was pretty hard to get anything done. I think the department would have been better advised to extend the facilities of the general hospital and use that institution instead of opening its own hospital. It took us two or three years to get the department to realize that they had a service available at their very door. I am glad to say that within the next few days we expect to be opening a new wing, which will accommodate another 125 patients. When that new wing is opened it will probably accommodate a total of 500 patients. In what I have said I have dealt with the matter from the point of view not only of Kingston, but also of Canada as a whole. In four or five years the public will have something, built by public money. To-day the general hospitals are chiefly private, those receiving endowments. When a person passes away he may leave something as a bequest to these institutions.

I emphasize as strongly as I can my hope that the good feeling which now prevails between the Department of Veterans Affairs and the general hospitals will continue. I believe under such conditions the general hospitals will be only too willing to cooperate.

Mr. BROOKS: I should like to refer to the mental institutions about which the hon. member for Kingston has spoken. I believe I pointed out yesterday that I knew there was considerable overcrowding, and that it was unfortunate that we did not have accommodation for all soldier cases. In New Brunswick, soldier cases have been sent to the provincial hospital. I know there has been widespread resentment on the part of some of the families of these men because of the practice of sending them to provincial hospitals, instead of to some other public institutions. I spoke about this matter last year, and the minister told me that he believed other arrangements would be made. Because of having to remain in Ottawa so long I have lost touch with my province and have not had a chance to make a check. Is provision being made in New Brunswick for the mental soldier cases in that province? If so what are those provisions?

Mr. MACKENZIE: Gradual transfer is being effected across the country from provincial institutions to our own hospitals. After the last war to a great extent the policy was to have the unfortunate mental cases placed in provincial institutions. Now the policy is one of transferring them gradually.

Mr. BROOKS: To what hospitals will the men in the New Brunswick institutions be transferred?

Mr. MACKENZIE: I shall be able to tell the hon. member later to-day.

Mr. McKAY: Does the Department of Veterans Affairs operate any mental institutions, or are they simply psychopathic wards devoted to mental cases?

Mr. MACKENZIE: As my hon. friend knows, the two largest are at Ste. Anne's and Westminster, the latter being in London, Ontario.

Section agreed to.

Sections 3 to 6 inclusive agreed to.

On section 7—Duties of veterans' bureau.

Mr. BROOKS: It was pointed out a few minutes ago that some people in outlying districts did not know to whom to turn to get information. Will the parliamentary assistant place on record a statement showing the number of pensions advocates and their locations, so that all the information will be available?

Mr. TUCKER: When the first decision is made, full information is given as to where a person can go to get further assistance. The address of the nearest advocate is indicated.

Mr. BROOKS: Why not put a list on *Hansard* showing where these advocates are located, so that the general public will know? People do not want to have to write to Ottawa.

Mr. MACKENZIE: I agree with the hon. member. The publication "Back to Civil Life" has on the back of it the addresses of all pensions advocates. That publication has been sent to all branches of the Canadian Legion and other returned soldier organizations.

Mr. TUCKER: The complete list is as follows:

DISTRICT PENSIONS ADVOCATES

Charlottetown, P.E.I.
Mr. Norman W. Lowther, M.M.,
Messrs. Stewart & Lowther,
76 Great George Street,
Charlottetown, P.E.I.

Halifax, N.S.
Mr. B. E. Courtney,
Dept. of Veterans Affairs,
Camp Hill Hospital, Halifax, N.S.

Saint John, N.B.
Mr. G. A. Gamblin, M.C.,
Dept. of Veterans Affairs,
65 Prince William Street,
Saint John, N.B.

Quebec, P.Q.
Mr. A. Legendre,
Dept. of Veterans Affairs,
15 Boulevard des Capucins,
Quebec, P.Q.

Montreal, P.Q.
Mr. W. R. Henry, K.C.,
Mr. J. L. Pouliot, K.C.,
Dept. of Veterans Affairs,
Old Examining Warehouse,
379 Common Street (cor. McGill),
Montreal, P.Q.

Ottawa, Ont.
Mr. J. A. MacIsaac,
Dept. of Veterans Affairs,
Aylmer Building,
Ottawa, Ont.

Toronto, Ont.
Mr. M. A. Searle,
Pensions Advocate,
Dept. of Veterans Affairs,
55 York Street,
Toronto 1, Ontario.

Hamilton, Ont.
Mr. M. F. Gladman,
Dept. of Veterans Affairs,
6th Floor, Lister Block,
42 James St. N.,
Hamilton, Ont.

London, Ont.
Mr. P. R. Potter,
Dept. of Veterans Affairs,
Westminster Hospital,
London, Ont.

Fort William, Ont.
Mr. R. Irving,
Legion Memorial Hall,
226 S. May Street,
Fort William, Ont.

Winnipeg, Man.
Mr. A. H. Yetman,
Dept. of Veterans Affairs,
803 Commercial Building,
Notre Dame Ave. E.,
Winnipeg, Man.

Regina, Sask.
Mr. C. A. Scott,
Dept. of Veterans Affairs,
New Regina Trading Company Building,
Scarth Street at 12th Ave.,
Regina, Sask.

Saskatoon, Sask.
Mr. Hugh Aird,
Dept. of Veterans Affairs,
Birks Building,
153 Third Avenue S.,
Saskatoon, Sask.

Calgary, Alta.
Mr. Arthur Wakelyn, M.M., M.S.M.,
Dept. of Veterans Affairs,
217-7th Avenue W.,
Calgary, Alta.

Edmonton, Alta.
Mr. A. E. Dean,
Dept. of Veterans Affairs,
Redwood Building,
11250 Jasper Avenue,
Edmonton, Alta.

Vancouver, B.C.
Mr. W. Drinnan,
Dept. of Veterans Affairs,
Shaughnessy Hospital,
Vancouver, B.C.

Victoria, B.C.
Mr. G. H. Sedger,
Dept. of Veterans Affairs,
Belmont Building,
Victoria, B.C.

Mr. WRIGHT: Are the pensions advocates capable of coping efficiently with the inquiries they are receiving at the present time, or is there need for expansion of their staff?

Mr. MACKENZIE: I cannot speak for them, but I can speak as to my knowledge of their work. They are hard-working people, not only during the day, but sometimes far into the night. The peak of work will be reached in September, following which it will subside. I should like to pay tribute to the pensions advocates across Canada for the devoted service they have rendered.

Mr. WRIGHT: I agree with what the minister has said, but I was pointing out that perhaps to-day, and for the next few months, they should have some additional assistance.

Mr. MACKENZIE: If additional advocates are required, they will be obtained immediately.

Mr. CASTLEDEN: How are they appointed and paid?

Mr. MACKENZIE: By the civil service commission.

Mr. CASTLEDEN: Are they employees of the Department of Veterans Affairs?

Mr. TUCKER: Yes.

Mr. CASTLEDEN: Sometimes a soldier feels that an advocate who is an employee of the government and paid by the government—

Mr. MACKENZIE: I was a former advocate, and I can assure my hon. friend that

pensions advocates have absolute and complete independence. They are not bound in the slightest degree by any government restriction or policy.

Section agreed to.

Sections 8 to 29 inclusive agreed to.

At one o'clock the committee took recess.

The committee resumed at three o'clock.

On section 30—Benefit of doubt.

Mr. KNOWLES: Mr. Chairman, this clause is the one that amends the benefit of doubt section by adding two words "and presumptions." I should like to get some information as to the significance of the addition of these two words—and in referring to a particular case I hope you will understand, Mr. Chairman, that I am doing it for the purpose of getting information. I admit that I am interested in this case and desire to pursue it further, but my main purpose is to ask one specific question.

The case is No. 420676. I have before me a letter, under date of July 4, 1946, signed by Brigadier C. B. Topp, chief pensions advocate, in which he confirms the fact that this veteran gave gallant service during the first world war, was severely wounded in action, was awarded the Military Medal, and that he has been in receipt of a small pension for many years.

Some years after the first world war this veteran developed a heart condition. This was in addition to the condition already recognized as pensionable. The fact that he had received a gunshot wound in the chest led him to believe that his heart condition might be attributable to the wound he had received while on active service. His claim has been pursued on that basis. As a matter of fact, just about all the machinery there is has been exhausted, and now Brigadier Topp says this in his letter of July 4, 1946:

> The district advocate, and we at head office of the veterans bureau, feel that a good case for entitlement was made out.

He is referring to the hearing before the appeal board. He goes on to say:

> It must be remembered, however, that it is virtually impossible to establish as a fact in such cases that the disorder did or did not arise during service.

I emphasize the words used by Brigadier Topp, that it is virtually impossible to decide that the disability did arise from service, and equally it is virtually impossible to decide that it did not arise from service. That seems to be a pretty fair example of a borderline case in which the veteran himself and the veterans bureau and any of the rest of us who are interested in the case feel that the benefit of the doubt should be exercised.

What I should like to know is this. How can this veteran find out whether the benefit of the doubt clause has been broadened by this amendment so that his case might now be given further consideration? Brigadier Topp said in the concluding paragraph of his letter of July 4:

> The only means of reopening the claim is by proof of error or production of substantial new evidence. We are exploring these approaches but I am obliged to state that I doubt whether anything more can be done.

It seems to me that in a case like this it is difficult to establish that there has been any error, or to bring forward any substantial new evidence. But I imagine that many a veteran in circumstances such as these will feel, once he hears that the benefit of the doubt clause has been broadened, that it may have been broadened sufficiently now to take care of his case. How, I ask, can this veteran and others in his circumstances find out whether the benefit of the doubt may now be exercised to his advantage?

Mr. TUCKER: Mr. Chairman, not only is our Pension Act based upon the best principles that prevails in other countries, in that a pension may be awarded for any disablement that arises out of or is due to service, but it provides for a pension for any disablement incurred during service. So far as I know ours is the only country in the world which goes that far. Having laid that principle down, that a pension might be awarded to any person because of a disability incurred during service, it must proved, of course, that it was actually incurred during service; because I do not think it was ever the intention of parliament that we should pay a pension in respect of a disability which the man had when he went into the service and which was not in any way increased during service.

The hon. gentleman says that the chief pensions advocate, who works on behalf of the men, as he should in every way he possibly and properly can, has cited this as a case in which it was very difficult to prove that the disability was incurred during service.

Mr. KNOWLES: And equally difficult to prove that it was not incurred during service.

Mr. TUCKER: That is apparently the opinion of Mr. Topp.

Mr. KNOWLES: That is right.

Mr. TUCKER: The situation with which we are confronted is this. It has been laid down in our Pension Act by section 5 that:'

. . . The commission shall have full and unrestricted power and authority and exclusive jurisdiction to deal with and adjudicate upon all matters and questions relating to the award, increase, decrease, suspension or cancellation of any pension under this Act and to the recovery of any overpayment . . .

And so on. It goes on:

(2) In any case in which the commission finds that a pension has been awarded by the commission or by the Board of Pension Commissioners for Canada as a result of an error and not as a result of fraud or misrepresentation or concealment of material facts on the part of the applicant, if such pension has been paid for not less than five years and its cancellation or reduction would, in the opinion of the commission, result in undue hardship to the pensioner, the commission, in its discretion, may ratify the payment already made and may continue payment in whole or in part.

The effect of that is this, and it cannot be emphasized too strongly. Parliament in its wisdom has set up the Canadian pension commission and has endowed it with full power and authority to make rulings in these cases. No other body has authority to interfere with its decisions in these matters. When it makes a decision, it is like a decision of the Supreme Court of Canada. Its decision has even greater authority than a decision of the supreme court, because an appeal can be taken from a decision of the supreme court, but there can be no appeal from a decision of the pension commission except under this section which provides for reconsideration of the case by the commission itself if an error seems to have been made. It comes down to this; is it the thought of parliament that this system is working better than some other system by which are provided appeals for? At one time we did have a system of appeals, and it was found that it worked so much to the detriment of the veterans that with one accord veterans across Canada said, "We do not want this system any longer"; they wanted a system such as we have to-day. Some hon. members seem to think there should be a power in the minister to overrule the commission. Of course no responsible veterans' body wants it left to a minister to have the right to overrule the decision of the commission—an independent board of judges. So it comes back to this: are members of parliament confident that the present board of pension commissioners is enforcing the Pension Act and giving the benefit of the doubt as it should be given under the act which they are sworn to administer?

Mr. MACKENZIE: They are doing it.

Mr. TUCKER: I think it was established at hearings before our committee that while there might be some difference of opinion about close cases—there are bound to be such —the pension commission had the confidence of every single member of that committee in the matter of their making an intelligent and generous approach to the administration of this act. When my hon. friend says, "They made a decision; it was adverse to the person I am interested in, what do I do now?" the answer is that what can be done is all set out in the act.

Mr. KNOWLES: Mr. Chairman, the hon. member has misunderstood me.

Mr. TUCKER: Let me say this, if my hon. friend will be patient for a moment: we are changing this section by adding the words "and presumptions." If there are any cases which are on the borderline the commission will, naturally, if it is brought to their attention, look at this change we are putting into the act; they will bear in mind the intention of parliament in adding it, and assume, I suppose, that we did not do it without some desire to strengthen their powers to lean in favour of the applicant. Some people may say that the words "and presumptions" do not strengthen the act at all; others think it will strengthen the hands of the commission in giving the benefit of the doubt to applicants. I suggest to my hon. friend that he bring the case he mentioned to the attention of the commission when this change becomes law. But, unless it is intended to change the very basis of this act, the Canadian pension commission, while it has the confidence of parliament, must be the body to decide these matters.

Mr. KNOWLES: I want to thank the parliamentary assistant for the information he gave me in the latter part of his remarks. But in all fairness I must point out that the first part of what he said should not have been directed at me at all.

Mr. TUCKER: I assure the hon. member that it was not.

Mr. KNOWLES: I want to make it clear that I accept the principle that the pension commission should be independent, and that parliament should not seek to override its authority. That is not our purpose in giving examples such as we have given in this chamber. But at the moment we are changing the basis on which the Canadian pension commission operates. We are, I hope, broadening the significance of the benefit of doubt clause, and I think it is germane to ask what meaning there is in that change; hence my question

as to how a veteran such as the one I mentioned could go about taking advantage of that changed situation. Remember he has been told that he has exhausted all the machinery. I am glad to have now the word of the parliamentary assistant that, despite the fact that he appears to have exhausted all the machinery, he can now, himself, through the pensions advocate, or I can myself, bring his case before the Canadian pension commission and ask them to consider whether a case such as this, which is on the borderline, is not now covered by the power which parliament is giving to the commission to draw on a presumption in favour of the applicant.

Mr. MACKENZIE: That is the intention of the amendment.

Mr. KNOWLES: The presumption in this case, since there was a clear doubt, should be in favour of the veteran. I will certainly see to it that it is again brought to the attention of the commission.

Mr. POULIOT: Will the four thousand Polish soldiers who have been allowed to settle in this country be entitled to the benefits of this act?

Mr. MACKENZIE: I must tell my hon. friend at once that that question has not yet been definitely determined. As soon as it has, I shall be very glad to give the requisite information. In the allied veterans benefits bill, which will be considered by the house, certain provisions have been made which will be explained in detail when that bill is under consideration.

Mr. POULIOT: I thank the hon. gentleman. I hope, on the other hand, that those who were responsible for the bombing of the King David hotel in Jerusalem will not be allowed to come to this country to blow up the Chateau Laurier.

Mr. MACKENZIE: That is a question entirely outside the jurisdiction of this department, but it is in the jurisdiction of His Majesty's government in Canada.

Mr. TUCKER: Just to reassure my hon. friend, none of this legislation will affect those who were not domiciled in Canada at the time they went in the armed forces of Canada, its allies, and other members of the commonwealth.

Mr. POULIOT: What is the definition of "domicile"? It is pretty hard. There is no definition of "domicile".

Mr. GREEN: I think it would be unfortunate if hon. members were to gain the impression that this amendment to the benefit of the doubt section of the Pension Act means very much.

Mr. KNOWLES: Don't take our last hope away from us.

Mr. GREEN: The way in which these two words "and presumptions" came to be added to this section was this. During the discussions in the veterans affairs committee some of us suggested that a presumption should be written into the act to the effect that a man's condition on his admission to the service was in fact his condition at that time, and that if there was any subsequent deterioration during service it would be the responsibility of the state to show that that deterioration was not caused by this service. A presumption of that type was actually passed by the committee unanimously. I read it out in the house yesterday: it was passed on May 31 and is contained in proceedings No. 25 of the special committee. But a week later the Minister of Veterans Affairs told the committee that he could not agree to having that presumption written into the act; that what he would suggest was that we put the two words "and presumptions" at the end of the old benefit of the doubt clause. Government supporters moved an amendment according to our motion to report the bill as it had been approved section by section. That is the reason we now find these words "and presumptions" in the present bill. Obviously they mean practically nothing, because the word "presumption" is not found anywhere else in the Pension Act. This amendment does not tie in with anything; it is just put in as a government suggestion to get away from putting in a proper presumption clause. So there is no point in anyone thinking that the veteran is getting much assistance by the addition of these words. Mind you, if the Minister of Veterans Affairs is kind enough and wise enough to accept the amendment which I offered yesterday, which would follow this benefit of the doubt section and would set out the presumption I had in mind, then the words in the benefit of the doubt section would mean something. They would then refer to the new presumptions section; my suggestion was that there should be a new section, 63-A, which would read:

In respect of an application for entitlement to pension arising out of world war II, there shall be a presumption that the condition of the member of the forces as recorded on his acceptance was in fact his condition at that time and that any subsequent deterioration during service was due to such service; subject to the provisos contained in paragraph (c) of subsection (1) of section 11 of this act.

These provisos are three in number: That the condition was obvious—as for instance if a man had a wooden leg and notwithstanding that was accepted; or that he had wilfully and deliberately concealed his condition; or that he had a condition which had been recorded on a medical examination prior to enlistment. Those are the three provisos to the proposed presumptions clause.

Mr. KNOWLES: I appreciate the force of the amendment which the hon. member is proposing, but it would not cover the kind of case to which I refer, many examples of which, I am sure, he himself is familiar with, namely, the veteran of world war I whose condition, for which he is now seeking pension, is a post-discharge and not a preenlistment condition. Either we need something more than the hon. member is proposing in his amendment, or we need to be assured that these words "and presumptions" in this clause mean something.

Mr. MACKENZIE: May I just say a few words? My good friend the member for Vancouver South and I have debated this issue for two or three years, and we are not in agreement. I honestly think that section 62 of our act gives more of the benefit of the doubt to the veteran than any of these new presumption clauses adopted on the suggestion of one of the British ministers about two years ago. I honestly think that with this amendment, and the generous and sympathetic interpretation of the Canadian pension commission, the veterans will be very well considered. The adoption of the British system would be a definite handicap.

Mr. GREEN: In what way?

Mr. MACKENZIE: I believe it is narrower than ours. I may be wrong, but—

Mr. GREEN: No one suggests that we should cut out the benefit of the doubt section.

Mr. MACKENZIE: But my hon. friend last year suggested—

Mr. GREEN: I never suggested for a moment that the benefit of the doubt section be deleted.

Mr. MACKENZIE: I agree with that, but my hon. friend suggested that we adopt the language of the British system. We had a British officer before the committee the other day, and after listening to him there I say that they are far behind us in regard to the interpretation of the benefit of the doubt clause. We are miles ahead of them.

Mr. GREEN: I have his evidence here, which I will read.

Mr. MACKENZIE: My hon. friend and I have the same cause at heart, and I think he is impeding the end in view by not accepting the present suggestion.

Mr. FRASER: Reading this clause, I do not think it covers a case I know of where a man was taken into the service as A-1, medically examined and examined later at another depot. He was absolutely all right, A-1, right through for a year and a half, and later was discharged. This man now has sight only in one eye. The reason he has not had a pension is that, as the commission say, his trouble arose in infancy. Evidently the medical examiners when they examined him were in error. I had letters from the employers of this man as to his condition before he joined the service—I may say that he went in of his own free will—and they declare that he could not have done his work if he had had poor eyesight. At one time he was a weaver, weaving at night, and he could not have done that work with poor eyesight; yet the pension board say that according to their medical men his trouble was preenlistment. As I say, that man was taken in A-1 and is now discharged E-5, I believe. He is out on a limb without any chance of getting a pension. The commission say that he can engage a private eye specialist to check up on his case and pay for it himself; but that man, even with this clause, is no further ahead. With the suggestion of the hon. member for Vancouver South he would come in, and I maintain that he should, because he will go through the rest of his life with sight in one eye only, and in a few years' time he may not have any sight at all.

Mr. MACKENZIE: I say at once to my hon. friend that this government will never accept, so long as I am a member of it, the principle of fit for service, fit for pension. It is a principle which would be most detrimental to the people of Canada as a whole. We must be fair in these things, and we have been fair and generous. This government has been generous—no, I must not say the government, but this parliament has been generous—and we cannot accept that principle, in fairness to the taxpayers of the people of Canada. I will go on any platform in Canada and say so.

Mr. BENTLEY: Yesterday, when I made a short statement on behalf of the C.C.F. group here, with reference to the Pension Act, I pointed out that there were some things in respect to which we were not in agreement in the committee and that we would watch the operation of this act, be guided by our experience, and make recommendations at the next

session. This is one of the things I had in mind when I made that statement. Like the member for Vancouver South, I remember quite well the discussions that took place in the committee on this particular question. There was a good deal of debate, and I remember the minister taking the same definite position he took a moment ago—and as a minister and a member of the government, it is his right to do so. His contention is that by adding the words "and presumptions" in section 63 of the act, as appears in section 30, it will give all the necessary benefits that the committee wanted in their discussion.

Mr. MACKENZIE: That is right.

Mr. BENTLEY: I do not agree with him, but this is one of the things we will watch. We will watch carefully to see how the cases stated by the member for Winnipeg North Centre and others are affected, and if this does not operate in their favour we will make our position definite when we find that it is so. I wish to make that position clear without further debate.

Mr. TUCKER: May I say a few words for the purpose of the record?—because I am afraid that, by reason of one or two specific cases that have been mentioned, a wrong impression may be created as to the manner in which the commission is handling the work. As at December 31, 1945, 7,810 members of the forces who had served in a theatre of actual war had been discharged and the commissioners ruled their conditions as pre-enlistment, not aggravated by service and consequently not pensionable. However, it should be brought to the attention of this committee that in 81 per cent of all disability claims by those discharged after service in a theatre of actual war, a favourable decision has been rendered.

Mr. BROOKS: When was that 81 per cent announced?

Mr. TUCKER: That was at December 31, 1945.

Mr. BROOKS: I understood it was 76 per cent.

Mr. TUCKER: It was 81 per cent at December 31, 1945.

Mr. BROOKS: I believe the evidence in the committee was 76 per cent.

Mr. TUCKER: That may be a different date. In regard to those discharged after service rendered in Canada, the commission ruled the condition preenlistment not aggravated by service in respect of 54,207. As to the extent of service, I think the committee should have some information. A substantial number or those who went overseas were returned after a short period of service and discharged for varying reasons: obesity, refractory errors, old age, and other conditions which obviously have no relation whatever to their service.

With regard to those whose service was wholly rendered in Canada—and I should like the committee to get these figures—12,145 were discharged with less than three months' service, 18,790 with less than six months' service, and 23,340 with less than one year's service, a total of 58,572 who were discharged as medically unfit with service of less than one year.

Mr. GREEN: These are not the same group as are in the 54,207?

Mr. TUCKER: No, I am not saying that, but I am saying that 58,572 were discharged with less than one year's service in Canada. We have said to all these people that if any disability arose during that service they get a pension in respect of it. That is just how far we have gone in our pension legislation. When it is considered that of those who saw service in a theatre of actual war, which means service anywhere outside of Canada, 81 per cent who have applied for pension as of December 31, 1945, have been conceded entitlement, the committee will have an indication of how generously the commission has approached this problem. I say that with no idea of giving credit to the government. The commission is operating under the statute, and I say that in fairness only to them. That is the purpose of it, and in justice to them I think every member of the committee would want me to say it.

Mr. GREEN: It must be remembered always that these men were accepted as fit for service. Of this number 7,810 went overseas. They were all accepted for service as fit men. They were trained in Canada and taken overseas. They broke down and were brought back to Canada, discharged as unfit and yet cannot qualify for a pension. These are the actual figures. The same thing applies to the 54,207 who saw service only in Canada. The minister has implied that we are asking for a change in the Pension Act to provide that if a person is fit for service he shall be fit for pension. Nothing is farther from our thoughts.

Mr. MACKENZIE: I did not say that.

Mr. GREEN: I am glad to know that the minister did not mean to go that far. Nothing is farther from our thoughts. All we are asking is that there shall be a presumption

in favour of the man that if he is accepted as fit for service and his health breaks down while he is in the service, it was caused by service. It is merely a presumption which can be rebutted by the state. We believe that that will help at least some of these 60,000 cases, where men have lost their health in the forces of Canada and get no compensation for that deterioration.

Mr. MACKENZIE: That is what is being done.

Mr. GREEN: The minister has said that the English system is not as good. Actually I hold in my hand the evidence given by the permanent secretary to the British ministry of pensions, Mr. Parker. He gave evidence on May 9, which can be found in No. 14 of the minutes of proceedings and evidence of the committee on veterans affairs. Mr. Parker pointed out first of all that in Great Britain they have the benefit of the doubt section, which is our section 62, and which, by the way, is now numbered 63. The British section reads:

In no case shall there be an onus on any claimant under this our warrant to prove the fulfilment of the conditions set out in paragraph (1) of this article, and the benefit of any reasonable doubt shall be given to the claimant.

In effect it is the same as our benefit of the doubt section. Mr. Parker explained that provision as follows:

On the second clause of that article dealing with the onus of proof, the position is that that article makes it clear that the onus is on the ministry to negative the claim; and to do that it requires evidence amounting, as the high court expressed it fairly recently, to a real preponderance of probability. That, I gather, is a rather legal form of phrase, but I think probably most of us understand what is in fact in mind.

Then Mr. Parker went on to read the presumption clause, and it is a clause of this type that should be written into the Canadian Pension Act. The particular clause reads as follows:

Where an injury or disease which has led to a member's discharge or death during war service was not noted in a medical report made on that member on the commencement of his war service, a certificate under paragraph (1) of this article shall be given—

That is a certificate of entitlement.

—unless the evidence shows that the conditions set out in that paragraph are not fulfilled.

He explained that in this way. He said:

If a man is accepted for service in a certain medical category, there is a presumption that at the time of his acceptance he was fit for the kind of service demanded of a man in that category, and that in the event of his discharge subsequently on medical grounds due to deterioration in his health there is a presumption that the deterioration was due to service.

Then he went on to show how the high court had interpreted that provision, and said:

They said that the presumption is not a compelling presumption but a provisional one, and that in order to defeat the claim the evidence had to show a real preponderance of probability—

That is the state's evidence.

—that the condition was not aggravated by war service. Put in other words, the presumption can be rebutted provided there is good and sufficient evidence to do it.

He was asked what was the reason for the British ministry of pensions adopting this presumption provision, and his answer was as follows:

There was a good deal of discussion in the in the House of Commons in 1943 on the provision in regard to war pensions. At the time the government went into the whole matter and they felt that to some extent the criticism was based on misunderstandings and to some extent the criticism had raised points which were worthy of consideration and modification. As a result of a very full review of the whole subject the government decided that in future the basis of entitlement should be expressed in the way in which I have read it to you. I think in further explanation of that all I can really say is that the government felt that expressing things as they did represented a fair deal for the man and a fair balance.

If a presumption of this kind were written into our law it might make the job of the Canadian pension commission more difficult, but here is a wrong to be righted. Here are men who have given their health for the country and are getting no compensation. That condition cannot be allowed to continue. If this presumption is written into the law, then it will be the responsibility of the commission to bring forward some proof that that man's loss of health was not due to his service. The navy, the army and the air force accepted these men, examined them most carefully, and in some instances kept them for years; they then got rid of them as unfit. There should be some presumption to protect a man who is in that position.

Mr. TUCKER: I shall read from the British changes in war pensions, presented by the ministry of pensions to parliament by command of His Majesty. Section 4 reads:

The existing warrant requires that disablement shall be either directly attributable to or materially aggravated by service.

That is the basis in the British warrant. They have to prove that the disablement was directly attributable to or materially aggravated by service.

Mr. MACKENZIE: A basic difference.

Mr. TUCKER: We do not require any such thing. We say that all they have to prove is that it arose during service. Naturally they

should have something which carries a man a little farther when the only way in which he can get a pension is to be able to prove that his disability was attributable to service. We do not require any such rule at all. With us it may quite clearly not be due to service, but still the man gets a pension if the disability arises during service. I say, therefore, we do not need this presumption, because under our system the man gets the pension if the disability arose during service. Then my hon. friend goes on to suggest that in some way this presumption is stronger than the one we have. I should like to read from this publication of the British ministry of pensions. They say:

His Majesty's government accepts the view that the fact that a man is accepted for service in the present war in a certain medical category may be taken as presumptive evidence that (a) at the time of acceptance he was fit for the kind of service demanded of a man in that medical category;

Of course our pension commission naturally would presume that also.

Mr. GREEN: We have no such provision.

Mr. TUCKER: No, but they are interpreting the law; and they say if a man was taken into the service to drive a truck, they will assume he was able to do that or he would not have been brought in for that purpose. But they will hear other evidence. They go on to say:

(b) in the event of his being subsequently discharged on medical grounds any deterioration in his health which has taken place is due to his service. While the minister of pensions will pay regard to any other evidence—

Mark that. There is just a presumption that he was in a certain condition when he went into the service, and that any deterioration is due to his service; but they will pay attention to other evidence, weigh the thing and decide whether or not it is due to service. I leave it to any member of this committee whether he would change our system, under which a man does not have to prove that his disability was due to service at all, but simply that it occurred during service, for the British system, where they have a presumption that it was due to service but the medical people can come along and prove it was not, and then if it was incurred during service the man does not get a pension, as he does in Canada. Our rule is just as strong, and I think it is being interpreted by the Canadian pension commission just as generously as the rule in Britain is being interpreted by the ministry of pensions there.

Mr. MACKENZIE: More so.

[Mr. Tucker.]

Mr. TUCKER: In deference to the Canadian pension commission I hesitated to say more so, but I submit we can rely upon them to interpret it just as generously. This is the rule, and it is based upon the fact that it need not be proven that the disability was attributable or due to service. This has application to the question whether the disability occurred during service. We let them all in, whether or not it is due to service, if it arose during service. Then there is this further clause, which reads:

Notwithstanding anything in this act, on any application for pension the applicant shall be entitled to the benefit of the doubt, which shall mean that it shall not be necessary for him to adduce conclusive proof of his right to the pension applied for, but the body adjudicating on the claim shall be entitled to draw and shall draw from all the circumstances of the case—

Which I have just mentioned.

—the evidence adduced and medical opinions, all reasonable inferences in favour of the applicant.

I defy any person to look at these two sections and say the British provision is anything like as generous as our provision; and I say it is not fair to our pension law to make that suggestion.

Furthermore I understood the hon. member for Vancouver South to say that young men have given their health in the service of their country and are not getting pensions. That is a sweeping indictment of the pension commission. If a man lost his health through service to the country, under this act he is supposed to get a pension. When the hon. member says these young men who lost their health have been deprived of pensions, let me say that when the hon. member was attending our committee he never suggested that the pension committee was not doing its duty under the law. In other words he is making a sweeping indictment which is not borne out by any facts he brought before the committee.

I do not want to go into all the evidence heard by the committee. My hon. friend is suggesting that a decision was arrived at by the committee at one time, and later, after hearing further evidence, the committee arrived at another decision; and the decisions he has been reading to this house are not those which were reported by the committee, which after all are the decisions of the committee. He has been reading decisions which were reached from time to time during the proceedings before the committee. I know why the hon. member is doing this, and it is known to other hon. members of this house. On that committee were many very busy members of the government, parliamentary assistants, chairmen of other committees and

so on. They were not able to attend the sittings of our committee continuously, but they had a right to their opinions on these matters, and they had a right to vote on them. When my hon. friend tries to suggest that the opinion of the committee was something different from what was reported, he is trying to deprive those people of the right to have their recorded opinions recognized. If we are going to get anywhere, Mr. Chairman, surely we must go according to the recorded opinion of the committee, as finally reported to this house. Any attempt to say that what we reported to this house was not the opinion of the committee I submit is making a nullity of what we tried to do. After all, if we are to sit there and discuss these matters and reach certain decisions, and then have hon. members get up and say: "Oh, but on another occasion something different was done; on another occasion some other thing was decided", what in the world is the use of making reports to parliament? If we are to have all these things read from the proceedings of the committee, before we came to a final report, it opens up the possibility of considering all our discussions, and I think the committee will agree that we cannot hope to retrace all the steps that were taken in that committee. So I urge my hon. friend not to represent to the house that the committee decided certain things, without adding that later on they decided to report to the house the relevant section in exactly the form in which the final report was made. This is the report of the committee on veterans affairs, as made to this house.

Mr. GREEN: The government members.

Mr. TUCKER: My hon. friend has no right to say that.

Mr. GREEN: It was the government members of the committee.

Mr. MACKENZIE: Even the government members have a right to speak in the committee.

Mr. TUCKER: Does my hon. friend suggest that government members have no right to express an opinion in committee? It was the opinion of government members that this provision was just as good as anything suggested by my hon. friend. In that we were borne out by the disinterested advice of the Canadian pension commission, which said that this suggested amendment would not enable them to do a better job for the soldier; and I think this house is entitled to pay some attention to that advice. It was on this, I think, that the government members may have acted, and I believe there was nothing very wrong in their accepting the advice of people of the standing of the Canadian pension commission.

Mr. GREEN: The parliamentary assistant has gone pretty far. He has almost suggested that I was trying to mislead the house, though I do not suppose he meant that. I know he has a way of showing more heat than light sometimes.

Mr. TUCKER: We all have our faults, and I do not pretend to be without them.

Mr. GREEN: We found that out on different occasions in the committee. Here, however, he is overlooking one fact, that in connection with this particular recommendation, when the committee passed the proposed presumption clause it was unanimous. It was not a question of a majority and a minority; they were unanimous.

Mr. TUCKER: Where is that stated in the proceedings?

Mr. GREEN: When the government decided they did not want that—

Mr. TUCKER: Will the hon. member say where that is stated in the proceedings?

Mr. GREEN: At page 752; and other hon. members will substantiate what I have said.

Mr. TUCKER: Does it say it was unanimous?

Mr. GREEN: It does not say so, but that was the fact. Now when the parliamentary assistant suggests that it was changed, by government members, mind you, who had not been there at the time the section was considered, he is stretching the point rather far.

Mr. TUCKER: Is that not true?

Mr. GREEN: Then he himself expressed an opinion about this presumption. I would refer to page 752 of the proceedings of the committee, where I find the following:

> Mr. Tucker: I may say that as long as it does not lead to misleading people, as Mr. Quelch has agreed with me in saying that it might, I do not think this will do any particular harm. So far as I can see, there is no harm in carrying it, as long as it is quite clear that it will not mislead anybody. Of course, if it is carried, naturally the pension commission people will study it and see if the section that is referred to is comprehensive enough to really cover it. In other words, they will have a chance to look into it.

He has said that the government is opposing this stand to-day on the advice of the pension commission. On this question the advice should go from the house to the pension commission, rather than the other way round. Here is the fact, that 60,000 men in our forces

have been discharged as unfit, though they were taken in as fit. The parliamentary assistant has made no explanation of how their position is to be improved. He is not suggesting for a minute that these men can get a pension or any compensation now. They cannot, under the law as it stands to-day.

Mr. TUCKER: Is the hon. member arguing that where a disabling condition was neither due to service nor incurred through service, and when a man has come out in just as good condition as when he went in, he should still get pension?

Mr. GREEN: That is not the case at all. Nobody is trying to argue that.

Mr. TUCKER: That is the finding of the commission.

Mr. GREEN: We argue that where a man comes out in unfit condition but went in in fit condition there should be a presumption that such deterioration in his condition was caused by his service. It is true that the state can overcome that presumption by bringing in other evidence. Nobody is asking to make it open and shut, or that a man must get a pension if he is discharged. All we are asking is that there should be a presumption in his favour, that the state, having taken him in as being in fit condition, then having used him for whatever length of time he was in the forces, and having discharged him as unfit, must show that that loss of health was not due to his service. As the parliamentary assistant himself said in the committee proceedings, he could see no harm in that presumption.

Mr. MACKENZIE: That is being done.

Mr. GREEN: I cannot understand why the minister and his parliamentary assistant are so firm in their refusal to have a presumption of this type written into the law.

Mr. MACKENZIE: We have it now.

Mr. GREEN: They keep saying, "We have it now"; but the proof that we do not have it now lies in the fact that 60,000 men can get no compensation.

Mr. MACKENZIE: Proof we have it is that we have the most generous system in the whole world.

Mr. GREEN: Oh, that is old talk.

Mr. TUCKER: To place the facts on the record, the commission said there were 54,207 not granted entitlement after service in Canada only because the preenlistment condition was not aggravated by service. In other words those 54,207 did not get pensions because they suffered from a preenlistment condition which was not aggravated through service. Those men were in just as good shape when they came out as when they went in.

Mr. GREEN: That is ridiculous.

Mr. TUCKER: That was the decision of the commission in those cases.

Mr. GREEN: It was not, at all.

Mr. TUCKER: Yes, it was. It was based upon that—the preenlistment condition was not aggravated.

Mr. GREEN: That is like the case brought up by the hon. member for Yorkton.

Mr. TUCKER: That is their decision. If the hon. member says that decision is wrong, then all he is saying is that the pension commission is not enforcing the law.

Mr. GREEN: I am saying the law is not right.

Mr. TUCKER: The law says that you give a pension if a man is suffering from disability due to service or incurred during service. The pension commission have to enforce that law, and they have found that when a man came out in just as good shape as when he went in they have no right to give him a pension. That applied to the 54,207 men.

Mr. GREEN: How on earth does the parliamentary assistant make the statement that these 54,207 who applied for pension because of disabilities are just as fit when they come out as when they went in?

Mr. TUCKER: That is the finding of the commission; that is why they did not get pensions.

Mr. GREEN: Why were they let in?

Mr. TUCKER: Oh, that is another matter. That is the "fit for service, fit for pension" principle, which my hon. friend said he would not favour. Then he asks how they got in, and says that if they got in they are therefore entitled to pension.

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

Mr. MACKENZIE: That is the logical conclusion from your argument.

Mr. TUCKER: That is what is meant by your argument, there is no doubt about it. These decisions were arrived at with this benefit of the doubt right in the act. And if you say that thousands of the 54,207 who were ruled not entitled to pension because they had a preenlistment condition which was not

aggravated, are suffering from service, you are impeaching in a sweeping way the work of the commission.

Mr. GREEN: We say the law is not right.

Mr. TUCKER: That was not borne out by the evidence before the committee.

Mr. QUELCH: I have no intention of debating this question over again. However I would lay emphasis on one point, and that is that it was the opinion of the committee, as represented by members who sat through the committee hearings consistently from beginning to end, who listened to the evidence of the pension commission, the legion and other bodies, that paragraph (c) of section 11 (1) had not operated satisfactorily, and that the benefit of the doubt provision was not working satisfactorily. It was as a consequence of evidence heard, and through experience, that certain amendments to the act were moved. The presumption provision was inserted, and the words "wilfully concealed" were taken out of paragraph (c). Then when the government decided they were not satisfied with those amendments they brought in the rest of their members in order to outvote us. The point is that those members brought in by the government had not listened to the evidence of the commissioners or of the legion. They were merely voting the way they were asked to vote by the government. Therefore the hon. member for Vancouver South was sound in his statement that the real desire of the committee was to pass the amendments as put in the first place.

Mr. MUTCH: This is one place where every man should speak for himself. I shall try not to do more than that. I doubt if any member of the committee attended more meetings than I did. I am glad the committee of the whole has had this opportunity to debate the subject, because some of us went through 1,600 pages of it—discussion very similar to what we have had to-day.

When this suggestion was first made by the hon. member for Vancouver South, who, when he keeps his temper, is always plausible, I was one who at the time could see no difficulty in it. As he was careful to point out last night, I was the person who at a later meeting moved that the paragraph be changed to its present form. I have no apology to make for the fact that I made that motion in committee, reversing my former position. In my experience I have found that on numerous occasions I have had to change my mind, and perhaps even then sometimes I have been wrong. However after mature consideration most of us can bring better judgment to a question. So far as I am concerned, I have heard the evidence, and as a result of further information and representations made by members of the pension commission—particularly the chairman—I became convinced, as I am still convinced—just as I am prepared to give the hon. member for Vancouver South credit for being convinced of his position—that I should change my mind on it. To suggest that I simply changed my vote because other members were brought in who had not been there before is unfair. The committee, in the fifty-two meetings it held, had perfect knowledge in advance of any suggested amendment from those who were not government members of the committee. There were always benches filled from end to end—and quite properly—and when an amendment was produced by the opposition, once it was either accepted or defeated the chairs were then emptied until the next amendment came along. There was no monopoly of absenteeism on the part of the government party in the committee.

This whole debate sounds as if we were sitting in a session two years from now, instead of to-day. I am not a professional veteran, and I carry no torch for the minister or his parliamentary assistant, who are able to look after themselves. But I was one who listened and agreed, listened more and then disagreed; and I am still in the position I was when I suggested that this clause be put in its present form.

Mr. PROBE: I listened carefully to the meticulous and often repeated statements of the parliamentary assistant as to the way in which this provision is working out.

The Minister of Veterans Affairs stated a few moments ago, that it was definitely not a part of Liberal policy to treat veterans on the basis of "fit for service fit for pension". Leaving aside cases often in dispute with respect to the way in which the injury or disablement occurred during service, about which I think most of us have received many letters, may I refer to the preenlistment situation.

This government did during the course of the war take the stand that we were going to have a volunteer army, and it was a matter of considerable pride overseas and elsewhere that ours was not a conscript army. Of course—I know that our boys were not shanghaied into enlisting in the old pirate sense or anything of the kind, but it is debatable whether the enlistments were on a one-hundred per cent purely volunteer basis.

The CHAIRMAN: May I remind the hon. member that we are discussing clause 30, dealing with the benefit of the doubt. I would ask him to confine his remarks to that section.

Mr. PROBE: That is the very point on which I wish to elaborate, Mr. Chairman. The government has an onus in the matter of giving the benefit of the doubt which goes back to the time when the veteran was a civilian and was first accepted into the forces. In order to make a good record of recruitments—and I was a recruiting officer too, as many other members were—I think it is beyond all doubt that the examination of volunteers as they came into the forces was not as thorough as the examination that is made when the men are applying for pension. I think all will agree on that. When a man came into the service the medical inspection was straight routine. The questions put to the men were often mumbled and the answers noted in such a way that the recruit would be given a clean bill of health provided that nothing organically wrong was obvious. Whether you were a medical man or not you could have inspected and passed many of these recruits. So undoubtedly in our anxiety to appear a one hundred per cent volunteer force, we accepted recruits who perhaps had physical disabilities which, while not obvious and of a kind which in civilian life might have lain dormant for years, came to the surface after a few weeks' hard drilling.

Just the other day many members of the house must have seen parading around our buildings a man of the type to which I refer, bearing a placard. He was accepted for enlistment in London, Ontario, according to the documents on his person, on January 17, 1941, and was discharged on April 9 of the same year, after only a few months' service. One might say that that man should never have been accepted for Canada's volunteer army. But what are the facts? His documents show that he reenlisted on May 18, 1941 and was discharged fourteen months afterwards, on July 23, 1942. He was struck off strength as unable to meet the required physical requirements. He was a volunteer. He did not leave Canada. He was, in my non-medical opinion, of the neurotic type. I do not want to say that I am a medical expert, but I have no doubt that this man can not meet the physical requirements, at the present time at least. Someone advised him, or perhaps he got the idea himself, that he should get a pension. He applied for one and was turned down by the commission. Possibly his case was one of enlistment under false colours; I am not prepared to say. I have written to get the documents. All I know about his condition is what appeared on the documents on his person. I feel that the government has an obligation to this man because in its anxiety to make a good volunteer record it accepted him as being in category A-1 and fit for service. After enlistment he deteriorated rapidly, as many of them did, and in three or four months he was discharged. Here was a man who was accepted so that our record of volunteer enlistments might be maintained—at least that is the purpose I see back of this enlisting and reenlisting. Therefore the government must assume an obligation for the physical deterioration of such men, and it is the duty of this House of Commons to make a recommendation to the pension commission that they take that into consideration.

I might cite the case of a man in my battery who to my personal knowledge was injured. For a year and a half I fought his case, along with other members of the house, before he got a 30 per cent pension for his disability. The machinery is not quite as well oiled and smoothly running as the hon. member for Rosthern would lead us to believe, and there are other hon. members who know that. For that reason I am not in favour of the wording of this section.

Section agreed to.

Mr. GREEN: Mr. Chairman, before we deal with section 31 I move:

That the bill be amended by adding as section 30A thereof the following:

The said Act is further amended by adding thereto the following section:

63A. In respect of an application for entitlement to pension, arising out of world war II there shall be a presumption that the condition of the member of the forces as recorded on his acceptance was in fact his condition at that time and that any subsequent deterioration during service was due to such service; subject to the provisos contained in paragraph (c) of subsection (1) of section 11 of this act.

I have already made my position perfectly clear, and I will say nothing further at this time in support of this amendment.

Mr. TUCKER: If this amendment means anything at all, and I understand the hon. gentleman contends that it does, it means a possible increase in the charge on the public purse, not necessarily and inevitably, but conceivably; therefore, Mr. Chairman, I submit that it is out of order because it has not received the approval of His Excellency.

Mr. GREEN: On the point of order, Mr. Chairman, I suppose one could argue the other way, that if it does not mean anything in the opinion of the parliamentary assistant, it is perfectly in order. However, this amend-

ment would insert just the same type of section as the benefit of the doubt section, which is not a section involving the expenditure of public funds, but is in the nature of a direction to the pension commission that in considering applications they shall bear in mind this presumption. That is as far as the amendment goes. It is not a matter involving the expenditure of funds at all, and I suggest, Mr. Chairman, that it is perfectly in order.

Mr. QUELCH: On the point of order, I should like to emphasize the fact that both the minister and the parliamentary assistant have insisted that this will not bring about any change, any improvement, and if that is true it cannot mean any increase of expenditure. On the other hand, a number of us feel that if it does nothing else it will at least give a certain amount of moral support to the pension commission to exercise a wider latitude in handling these cases.

Mr. McCULLOUGH (Assiniboia): I did not have the privilege of sitting in at any meetings of the parliamentary committee on veterans affairs, and for my own information I should like to have a clarification of what the minister has said. I brought to the attention of the veterans affairs committee a year ago the situation of a veteran of the two great wars, a case which, I understand, had been fought by the Canadian Legion to get a pension for this particular man. The man went into the last war in category A and came out in category E, and not until recently have we been able, with the help of another hon. member, to get any sort of pension for this veteran. Unless some changes have been made in the act whereby disability incurred during service, such as reduces a man from A to E category, entitles him to a pension, I for one am entirely against this legislation.

Mr. TUCKER: Mr. Chairman, just to put it as briefly as possible, the Pension Act provides that if a disability is due to service it is pensionable; if it arises during service it is pensionable; if there is an aggravation of a condition which a man had when he went into the service, and he has had service in a theatre of actual war, and the disability was not obvious, wilfully concealed, or recorded on medical examination prior to enlistment, he not only gets pension for the disability in respect of the aggravation but he gets it in respect of the entire disability. Of course that does not apply in respect of service in Canada only. If he did not serve in a theatre of actual war he gets the pension in respect of the disability, or the aggravation of the disability, as the case may be, to the extent that there is an aggravation. That is putting it, I think, as simply as I can.

Now, in interpreting whether the disability arose during service or was due to service, we have the section which is in dispute to-day. The way it was worded before was:

> Notwithstanding anything in this act, on any application for pension the applicant shall be entitled to the benefit of the doubt, which shall mean that it shall not be necessary for him to adduce conclusive proof of his right to the pension applied for, but the body adjudicating on the claim shall be entitled to draw and shall draw from all the circumstances of the case, the evidence adduced and medical opinions, all reasonable inferences in favour of the applicant.

That made the language as explicit, perhaps, as the English language could make it, that if there was any doubt whether this disability was incurred during service or was due to service, or the aggravation was incurred during service or was due to service, the applicant was to get the benefit of the doubt. I really do not see how it could have been made much plainer; but in deference to the committee and in accordance with what the hon. member for Vancouver South—

Mr. GREEN: That is not what we asked for.

Mr. TUCKER: —in order to make it doubly plain we added the words "and presumptions":

> all reasonable inferences and presumptions in favour of the applicant.

If an enlisted man was to drive a truck there would be a presumption that he was able to drive a truck.

Mr. GREEN: Why did you not put it in the bill, then?

Mr. TUCKER: It is in there already. The only thing I can draw from the hon. member's suggestion is this: we say to-day that according to the best opinion of the Canadian pension board, every man who suffered a disability which was due to service or incurred during service or was aggravated during service is getting a pension in respect of the disability. Some hon. members may say, "I know of a case where I do not think that has happened".

Mr. MATTHEWS (Kootenay East): There is one right here.

Mr. TUCKER: Yes, the hon. member for Kootenay East has a case which he feels is very strong. I happen to be a lawyer; I have been on one side or the other in various cases, and I have had decisions of the appeal court of our province, and I am just as strongly convinced to-day that they were wrong as I was at the time I fought the case. But the decision of that appeal court had to be accepted by me as correct.

Mr. KNOWLES: The hon. member is not casting any reflection, is he?

Mr. TUCKER: If you ask the commission to adjudicate on a close case you are going to have differences of opinion. That is inevitable; you cannot avoid it. And in order to be sure that the pension commission knew the will of parliament that they should give every benefit of the doubt to the man we put in "and presumptions" in addition to "inferences". As I said before, this is a change in the law, and I would expect that in these doubtful cases the Canadian pension commission would feel that parliament was emphasizing this point, and would review these cases in the light of the change in the act to see if their decisions were in line with that change.

My hon. friend is saying that he thinks some people are not getting a pension who should have it under the act as it stands to-day. If that is so, if he is moving an amendment which will grant a pension to somebody who did not incur disability during service, or where—

Mr. GREEN: Mr. Chairman, on a point of order, the parliamentary assistant is now trying to make a second argument on the point of order; he is completely out of order himself, and I suggest that you give your ruling.

Mr. TUCKER: I was just going to conclude the argument.

Mr. GREEN: He is just trying to make a second argument on the point of order.

Mr. TUCKER: Well, I do not wish to press it.

The CHAIRMAN: I think the hon. member for Rosthern has answered the question of the hon. member for Assiniboia, and he should not renew or add to his argument on the point of order.

I will give my ruling on the point of order. The question has been raised whether or not the amendment would involve an expenditure of money. I have listened to the arguments since the committee assembled this afternoon; and it has been represented that 60,000 members of the armed forces have been discharged as unfit, although taken in as fit. It has further been represented to the committee that 54,207 have been discharged whose present condition was not aggravated through service.

Mr. GREEN: Those are part of the 60,000.

The CHAIRMAN: Obviously the purpose of the amendment is to bring in a large class of former members of the armed forces, some of whom would under the amendment be entitled to pension, and that would involve an expenditure of money. I think that is very clear, and I have no other course to pursue than to declare the motion out of order, since it would involve an expenditure of money and for that reason can be moved only by a minister of the crown, with the approval of His Excellency the Governor General.

Mr. GREEN: I thank you for the ruling, Mr. Chairman, that the amendment would at least have been effective.

Mr. KNOWLES: With regard to section 30, may I ask the parliamentary assistant to clear up what I thought was a bit of confusion he created a moment ago. Earlier this afternoon he and the minister both said that the purpose of the addition of the words "and presumptions" was to make a change and to broaden the meaning of the section; but a moment ago he introduced another idea, namely, that the purpose is simply to make doubly clear the meaning already there. It can hardly be both, and I should like to have it categorically stated now that the purpose of these words is to broaden the meaning of the section.

Mr. MACKENZIE: Our understanding of the present section 62, now 63, is that, interpretatively, it is the most generous section in regard to the benefit of the doubt, but the committee felt that this addition should be made, and possibly it might broaden the section. But it will never widen the sympathetic and generous interpretation of the Canadian pension commission, because they are going as far as they can now.

Mr. KNOWLES: It is, however, the clear intention that the addition of these two words is to make possible the review of some cases formerly denied.

Mr. MACKENZIE: Yes.

Mr. McCULLOUGH (Assiniboia): Will the minister undertake to say that the addition of the words "and presumptions" in 63 gives us an assurance that veterans' cases in the future will not be delayed for three or four years, as has been my experience in the past? It should be clarified to that extent. Further, would the evidence of a civilian doctor be taken regarding the medical status of a veteran applying for pension?

Mr. MACKENZIE: I can give my hon. friend the assurance that there will be no

delay in these cases. Let him look over the record for the past six months, and he will find that it has been unequalled anywhere.

The CHAIRMAN: Shall section 30 carry?

An hon. MEMBER: On division.

Section agreed to.

Sections 31 and 32 agreed to.

Bill reported, read the third time and passed.

WAR VETERANS ALLOWANCE ACT

VETERANS UNEMPLOYABLE THROUGH DISABILITY—WAR VETERANS ALLOWANCE BOARD

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs) moved the second reading of bill No. 331, respecting allowances for war veterans and dependents.

Mr. C. C. I. MERRITT (Vancouver-Burrard): There are a few words which I wish to say respecting the War Veterans Allowance Act. This is an act under which allowances are paid to veterans of the first great war, of the preceding wars, and now of course of this war, who have reached the age of sixty, or, in the case of a female, the age of fifty-five, or, third, who in the opinion of the war veterans allowance board are permanently unemployable because of physical or mental disability or who are incapable of or unlikely to become capable of maintaining themselves because of economic handicaps combined with mental or physical inability.

The act has been in force since 1930 and has done a great deal of good for veterans of the first war who have reached an advanced age or who because of war service have become incapable of earning their living.

The present bill not only makes some slight changes in the procedure under the former act but incorporates in its provisions the dual service pension order which was enacted by order in council during the war and which enables the allowance to be granted to certain veterans, who served in both wars, I and II, and who thus have given a considerable period of their life to the armed forces of their country.

On the motion for second reading I shall refer briefly to the outstanding omission from the bill, the omission from the provisions, both of the original part and of the dual service part, of veterans whom we all know as imperials, that is, Canadians who served in the armed forces of His Majesty other than Canadian armed forces in the first great war. Many of these soldiers came to Canada immediately following the war, settled in Canada and became Canadians. The migration continued until about 1930, when it was considerably dried up because of the depression. But there are in Canada a very large number of imperial veterans who are Canadian citizens and who are deprived of the benefit of the act simply because they did not happen to be living in Canada at the time they enlisted in the armed forces in 1914 or in any of the subsequent years. According to an estimate of the board, the actual number who would be affected were they brought under the act would be 4,639.

I simply wish to point out one or two things in this regard, and I do not wish to labour the question, because the cause of the imperial veterans has been fought and brought before this government for many years. Many of these imperial veterans have been Canadians now for twenty-six years—Canadians in every sense, for a whole generation—and most of them for more than fifteen years. They have been taxpayers for that length of time. Some of them were soldiers of the first war, and many of them soldiers of both wars. They are the fathers of Canadian servicemen who served in Canada's armed forces, the navy, the army, and the air force in the second war. They have been Canadian producers for a generation. They have been contributing to Canada's wealth, strength and prosperity for all that time. Recently, they have become Canadians by law under the Canadian Citizenship Act. Every hon. member welcomed that act and thought that it represented a new advance. Only a few short weeks since the passage with great eclat of that act we find that Canadians, all of them for sixteen years and many of them for twenty-six years, are not to be considered Canadians when it comes to benefits under veterans' legislation. They are not considered Canadians although in the case of the dual service pension they have actually served in Canada's armed forces in the second great war. All of these men served in a common cause in an actual theatre of war in the forces of His Majesty, and yet in Canada they are deprived of the benefit of these allowances, although other Canadians who served in the Canadian forces of His Majesty are given these benefits, and rightly so, because their services have been as great and because of their present need.

The reasons given by the minister for refusing to admit the imperial veterans when the matter was raised in the committee and was voted upon were two. He said that our veterans' legislation was based upon a great principle; that people coming within its scope must have been domiciled and resident in Canada before they entered the armed forces.

The second reason was that our first duty lay to Canadians. By that I take it he meant people who were Canadians before they started to serve.

Mr. MACKENZIE: That is right.

Mr. MERRITT: Surely, Mr. Speaker, the question of the domicile or the residence of a man when he enters the forces of His Majesty cannot be the great principle which must be the background of entitlement to benefit. The domicile or residence of a British subject, of a soldier of His Majesty, is an incidental thing. If we want a principle upon which to base such legislation surely the important thing is not the fact of twenty-six or thirty years ago, but the present fact that they are now Canadians and that they served His Majesty in the common cause about which we all talk so much in this enlightened year of 1946.

Mr. MACKENZIE: Will my hon. friend permit an interruption? Is there not an essential right inherent in Canadians who were domiciled here before they served His Majesty?

Mr. MERRITT: Of course there is an inherent right in such Canadians, but does that exclude the inherent right of Canadians who served His Majesty before they were domiciled in Canada but have now been Canadians for twenty-six years?

Mr. MACKENZIE: May I interrupt again?

Mr. MERRITT: Yes.

Mr. MACKENZIE: Does not my hon. friend think that the essential right of Canadians as Canadians should be observed before the rights of those who come to our country afterwards are observed?

Mr. MERRITT: My answer to the minister would be that the essential rights of Canadians are observed.

Mr. MACKENZIE: No, they are not. Take the War Veterans Allowance Act. Canadians who served in England are absolutely ignored.

Mr. GREEN: They were not under fire; that is why.

Mr. MERRITT: I was waiting for the minister to bring that up, because just before I moved a motion in the committee to include the imperials within the scope of this legislation I moved that the Canadians who served in England but who did not serve in an actual theatre of war should be also included. In stating that the government could not accept that amendment, the minister, as I understood him, gave as the basis for his refusal, first that many of the people to whom I referred were draftees in the last war, and second, the question of expense. Is not that correct?

Mr. MACKENZIE: I do not think so.

Mr. BROOKS: These two points were brought out and argued.

Mr. MERRITT: Therefore in arguing the case for the imperial veterans at least I am free from any charge of inconsistency.

Mr. MACKENZIE: I hate to interrupt my hon. friend, but if I had my way all Canadians who served in Canada and in England in the last war should be entitled to war veterans' allowance. Once you establish that principle, which is a measure of social security, the imperials would be looked after at once.

Mr. MERRITT: I did not want to speak as long as I have spoken. All I can say is that I do not see eye to eye with the minister in any way on this point. If you want a high principle upon which to found benefits for Canadians who have served His Majesty, then you have it in the service which was given to His Majesty in a common cause. You could not have a higher principle than that.

Let me show the house how this domicile and residence principle as the only principle upon which to found this legislation leads the government into strange inconsistencies. I hold in my hand bill 328, respecting veterans of the forces allied with Canada. This bill goes on the principle that if you are domiciled and resident here, no matter what your citizenship may be, no matter what your business in the country may be, you can get Canadian benefits. I find that an alien domiciled, resident and earning his living in Canada before the war can get benefits in so far as they exceed benefits of his own country, not if he served in the forces of His Majesty, but if he served in the forces of any one of the allied nations in the second war.

Mr. MACKENZIE: Only if he was domiciled in Canada before he served.

Mr. MERRITT: Yes.

Mr. MACKENZIE: That is the important principle.

Mr. MERRITT: That is what I said. I am showing how this great principle which the minister adheres to leads him into strange errors. A soldier of His Majesty and a Canadian citizen for twenty-six years cannot get the war veterans' allowance because he was not domiciled and resident in Canada when he

enlisted. But an American who joined the forces of his own country, not when we went to war but when the United States went to war; who never served His Majesty but who now returns to Canada; who has not taken and does not intend to take out Canadian citizenship papers, can get the benefits of our legislation while the imperial soldier cannot.

I might go farther in connection with this matter of aliens who benefit under our laws and refer to the principle I have enunciated, that there was service to His Majesty by Canadians in a common cause. Here, however, we have no service to His Majesty, no Canadian citizenship, and it was not even realized by these people who will be benefited that there was a common cause at all until after their own country joined the fight against Germany. Until that time there was not even a recognition of any common cause by these people. I am not arguing the question of bringing these aliens within the provisions of the law; that was all gone over in the committee. From those proceedings, however, it is quite clear that when the government introduced bill No. 328 they were aware of the point I am now raising and they deliberately put it aside, admitting these non-Canadians, while not admitting Canadians who, to my way of thinking, are very much more entitled to the benefit of veterans legislation.

I want to conclude by pointing out how much stronger, if possible, the case I am making is for the admission of imperials to the benefits of the dual service pensions order which is now brought into this act. At the present time a Canadian who was domiciled in Canada and who served in His Majesty's Canadian forces in both world wars comes within the provisions of that order. In addition, a person who was domiciled in Canada and who served during world war I as an imperial, and who became a member of His Majesty's Canadian forces during world war II comes within the provisions of the dual service pensions order. So that we have excluded from the provisions of that order those imperials who had not migrated to Canada before the end of the last war, but who may have been here for twenty-six years, are now Canadians, and who, for the past five or six years, have served in Canada's armed forces. Surely they would have been brought within the provisions of the dual service order if it had not been apparent to the minister that to bring them into that class would necessitate bringing them into the first class as well, and as a result he has excluded them from both.

I shall say no more; I did not want to speak this long, because this case has been argued many times previously. There may have been some justification before the last war for not bringing in these people, some of whom would not have been in Canada for more than nine or ten years before 1939. In the committee I moved that all those imperials who had been resident in Canada on and since September 1, 1930, should be brought within the provisions of this important legislation, but my motion was negatived. That is a suggestion I want to make to the minister even at this late date. I say to him, with all the emphasis at my command, that if he does not bring in these Canadian citizens—these men who have given such great service to His Majesty—it will be a shame which will long blot the history of veterans legislation in this country.

Mr. MACKENZIE: I want to say just one word to my hon. friend. Naturally he is listened to in this house with great admiration and great esteem in reference to veterans affairs. I have had occasion to reflect upon this question for many years; I must insist upon the position I have recommended to the administration from time to time, that until all our own Canadians are looked after, those who served in Canada and those who served in England and elsewhere, in regard to veterans allowances, we cannot and should not consider the claims of those who came to this country afterwards, no matter how gallantly and how splendidly they served His Majesty; and I am speaking as one who was born in the old land. The first duty of Canadians is to look after the interests of Canadians.

Mr. MERRITT: If the minister will permit me a question, are these men not now Canadians in every sense of the word?

Mr. MACKENZIE: Yes, but the essential principle governing all these bills was domicile in Canada before the first great war.

Mr. GREEN: The essential requirement for war veterans allowance is service under fire.

Mr. MACKENZIE: Service in a theatre of war, plus certain emendations in regard to those entitled to small pensions.

Mr. BROOKS: And England was not a theatre of war in the first great war.

Mr. TUCKER: That is correct.

Mr. STANLEY KNOWLES (Winnipeg North Centre): I wish to speak briefly in reference to one phase of this bill, and I imagine the Minister of Veterans Affairs (Mr. Mackenzie) is well aware of the phase to which I shall direct my remarks. As he knows, one of the first struggles in which I

joined when I came to this parliament was on behalf of the widows of veterans of the first great war. I am glad to see that our good friend the hon. member for Davenport (Mr. MacNicol) has come into the chamber. Everyone will recall the part he played in this struggle, and no doubt he will have something to say to-day as well. One of the requests made for the past three years by those speaking on behalf of veterans' widows was that the special allowance which has been voted from year to year, and the provisions that have been made by order in council, should be given permanent effect by statute. That has been done in the bill now before the house, and I refer particularly to part II. For that action those concerned will be deeply grateful, but I feel that I must express their disappointment that this is all that has been done. These women, whose representatives are well known to many hon. members, were earnestly hoping that as a result of their appearance before the special committee on veterans affairs, and as a result of the consideration given this matter by that committee, there would be other changes and that some of their other requests would be implemented.

The matter, of course, which is of greatest concern to them has to do with the amount of the allowance, which is still fixed at $365 a year for a widow without child or children, and $730 for a widow with children. I realize that when one expresses disappointment that the amount is not larger, that involves a reference to the amount paid to veterans themselves under another section of the bill. My hope was that both amounts might have been increased. For the moment I speak only with reference to the widows, because I desire particularly to draw attention to their situation.

Speaking particularly of the older women who are widows of veterans of the last war, I insist that it is not good enough to ask them to live on a maximum of $30.41 a month. I know all the arguments offered one way and another, including that which states that one cannot ask that a great deal be done for these women until sufficient has been done for other classes. I have never been impressed by that argument. It seems to me it only strengthens the case for implementing at an early date other measures of social security that are long overdue.

The simple fact is that by this legislation we are asking these widows of men who served in the last war to be satisfied with $30.41 a month. The matter was placed before the committee by the women themselves, and the minister is well aware of their request for an amount of $40 a month. If it were in order I would move such an amendment, but I realize that in doing so I would not be in order. I hope, however, that the government will not regard this bill as the last word on the subject, but that we might soon have an increase in this amount from $365 to at least $480 a year.

These women have made the further request that in the drawing of this measure they be included for hospitalization, and have expressed their disappointment that such a provision has not been made.

Another angle of the matter which affects many of these women is closely related to the observations of the hon. member for Vancouver-Burrard (Mr. Merritt) concerning the section dealing with a theatre of actual war. As the minister knows, the husbands of many of these widows, although volunteers in the last war, saw service only in England. Upon the death of the husband, without a pension or any other means it is just as difficult for a widow in this class to get along as it would be for those widows whose husbands saw service on the continent of Europe. Here again I express disappointment and urge upon the government that further consideration be given the matter, with the thought that even this year, certainly not later than next, the basis for these payments might be enlarged.

The discussion to which we have just listened respecting imperial veterans has its counterpart in widows in Canada of imperial veterans who have been able to leave no other provision for those widows. Their plight, too, deserves consideration.

There are other matters about which I could speak, such as the application of the means test, but they are more in the nature of details, and I shall not discuss them until we reach sections 7 and 8 of the bill in committee. At this moment, however, when we are discussing the principle of the bill I would express pleasure that we have now moved from the order in council stage to the stage of definite legislation on behalf of these women, but would express keen disappointment that that is the only change proposed by the bill before us.

This group of women is not a large one. They feel, and I share their view, that the fact they are not large makes it difficult for them to receive consideration. Their battle began several years before I came to the house, although I knew of their efforts. The sort of thing they had to do to obtain recognition was pitiful. At long last, three years ago, they were given recognition through an order in council permitting an allowance

beginning at $20 a month. I am thinking now particularly of the widows of veterans who served in the last war, but the day will come when these provisions will apply to the widows of those who served in the second war. These groups of widows are small, but their battle is not yet over and I say their rights should have more complete recognition than they have received thus far.

Mr. VICTOR QUELCH (Acadia): Mr. Speaker, I believe the War Veterans Allowance Act is a good piece of legislation. It has been well administered in the past and, having some knowledge of the confines of the act, I believe the interpretation has been liberal.

We are now making certain amendments to the old act which should make it possible to deal with veterans more adequately in the future than we have done in the past. Had we removed the means test from the Old Age Pensions Act, I have no doubt it would have been possible to have removed it from this one. However, that was not done.

I believe the allowance for a veteran's income is liberal. He is allowed to have an interest in a home up to $4,000, cash in the bank up to $1,500 and an income of $250 plus $125 casual earnings, without any deduction. One criticism I would make is that the government might very well have included the $250 of income with the $125 of casual earnings so that the veteran could have received $375 of income, without any deduction being made. This would involve only a small amount of money, and would save a great deal of confusion in dealing with those two different types of income.

There is no doubt that in the past this act has been a godsend to many veterans, and I have no doubt it will continue to be so in the future, and will help those who are in bad financial circumstances.

Perhaps I might say a word or two respecting imperials. I should like to see war veterans allowances given not only to imperials but to the nationals of all those countries which fought with us in the last war. On the other hand, I believe the matter must be dealt with on a reciprocal basis until, as the minister has said, such time as we can get the war veterans allowances for all Canadians who served both in England and in Canada.

Mr. J. R. MacNICOL (Davenport): Mr. Speaker, it is not often a member on the opposite side of the house considers it his duty to say a kindly word to a minister. I am happy on this occasion to do so. In the seventeen years I have been a member, and have known the Minister of Veterans Affairs (Mr. Mackenzie), I have always found him to be a fighter for the rights of veterans. Perhaps he has not always got what he wanted; perhaps he has not always given what the opposition asked, but I believe his heart was always in the right place. One such illustration is found in the case mentioned by the hon. member for Winnipeg North Centre (Mr. Knowles).

I might say, in passing, that in attending committee meetings at various hours of the day we have been worked almost off our feet. My delay in coming to the house this afternoon was occasioned by my attendance before the committee on Indian affairs where, I believe, I am doing good work.

From the very beginning the Minister of Veterans Affairs has favoured giving consideration to the widows of those veterans who were wounded, returned home and made recovery, but who did not receive pensions sufficient to enable the government, on their passing, to grant pensions to their widows. The minister took hold of the matter right away. I found him from the very beginning strong for giving relief by way of pension to the widows of soldiers who died without sufficient pension to warrant their widows receiving pension. While I have not read the bill, I heard the hon. member for Winnipeg North Centre say that they are to receive $1 a day, or $365 a year. I am not going to say that that is too much or too little, but I am going to thank the minister on my own personal behalf for his work in that regard, for I, too, from the very beginning have strongly advocated that the widows of these soldiers be taken care of. I am glad to know that, while the minister has done that in the last year or two by regulation or order in council, it is now made statutory. That is a fine step in the right direction.

I heard the hon. member for Broadview (Mr. Church) speak of the veterans of the Northwest rebellion, and I am glad to see that they are included in this bill. I do not know at the moment just what they are to receive, but the fact that they are mentioned in the bill is an evidence that the minister is carrying out his promise to make statutory what heretofore was done more or less by regulation. Again I want to thank him for that. When a veteran of the Northwest rebellion makes application for pension I think considerable latitude should be allowed by those who are to determine whether he is to receive a pension or not. They are all old now, because 1885 was sixty-one years ago and they cannot have long to live. Whatever pension they are to be entitled to will be of material help to them and will be greatly welcomed by them. It will be some recogni-

tion of the part they played in that scrap in the northwest which never should have taken place. It was the result of hotheads—

Mr. TUCKER: And inaction at Ottawa.

Mr. MacNICOL: —particularly the Indian leaders. I hope that some day the minister will bring in a measure to compensate some of these poor Indians of the Northwest rebellion who never received anything but wounds and being shot at. What they went through was through no fault of their own, and I hope it will be possible to do something for them too.

Something has been said about the South African veterans. Here again I hope that those who have to do with awarding pension to the South African veterans will be allowed considerable latitude. I had a case up recently of one of these veterans—I shall not mention the name—but he was turned down. They are now all old men. They must have been pretty young men when they enlisted, because the South African campaign took place in the late nineties and the authorities took only the very finest and youngest for that campaign. I myself was turned down. I wanted to go but I was not tall enough. The company in which I wanted to enlist would take only six-footers and I was not six feet tall. It turned out to be a distinguished company and I should have liked to be in it. They were all young men. If they are asking for pensions to-day they must need them, and they deserve them. I want to compliment the minister upon including them.

I should also like to support what the hon. member for Winnipeg North Centre said in favour of hospitalization for the previously non-pensioned widows of deceased pensioners whose pension was not sufficient to entitle them to adequate compensation. They, too, must be getting pretty well on in years. They are the widows of the soldiers of the first great war, and considering what they went through many must require hospitalization. I have wondered if the department could not supply free medicine to them, as was done in Ontario a year or two ago for the old age pensioners. I suggest to the minister that further consideration be given, if possible, to the poor widows of the insufficiently pensioned veterans of the first great war. I am strongly in support of this bill.

Mr. G. R. PEARKES (Nanaimo): Mr. Speaker, I do not want to delay the house for more than a moment; but I am brought closely in touch with a large number of the imperial soldiers, and I should like to say just one word, a word of pleading more than a word of claim or right, for those men who served with the imperial forces in the first great war, and then came out to Canada and enlisted with the Canadian forces during this last war. They served mostly in Canada in the veterans guard in the last war on such duties as guarding vulnerable points. These men all getting up in years and are finding it extremely hard, after having served in two wars, to become reestablished in civilian life at the age of fifty or more. I hope that generosity will be shown to these men. The dual pension, at one time known as the burnt-out pension, was designed, I believe, in recognition of the fact that men who had served in a war aged prematurely, and men who have served in two wars age prematurely. No matter where these men were serving, in Canada or in a theatre of war, when they are reaching middle age they have suffered more than the young man who actually went over and saw all his service perhaps in England or elsewhere. So that I should like to make a special plea for the imperial veteran who served with the imperial forces in the first great war, then came to Canada and has lived in Canada for twenty-five years or more, and who served in Canada during this war and is now finding it difficult to become re-established in civilian life. He is denied certain benefits. If he could receive benefits under this act I believe that in the long run it would not cost this country much more money, because he will have to be looked after since he is handicapped in fitting into the civil life of Canada now.

I should like to underline the remarks which were made in connection with the non-pensionable widows. These people had hoped that they would see an increase in their pension perhaps up to forty dollars a month. They also find it difficult to make both ends meet on the pension which the government now allows them.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Macdonald (Brantford City) in the chair.

Sections 1 to 28 agreed to.

On section 29—Coming into force.

Mr. MacNICOL: Which clause pertains to South African veterans?

Mr. TUCKER: The clause which pertains to South African veterans is in section 2, paragraph (i), subparagraph (ii).

Mr. MACKENZIE: It preserves the rights as we established them before.

Mr. MacNICOL: There is no elaboration of that?

Mr. TUCKER: Well, it says, any person who served in the South African war.

Mr. MACKENZIE: There is no change in the effect of the statute from the order in council.

Mr. BROOKS: It makes them eligible, I take it, for the benefits.

Mr. KNOWLES: Mr. Chairman, as evidence of the speed with which this house is moving, I was called out of the house for about five minutes and you have gone a long way in that time.

Mr. ROSS (Souris): If you stayed away we would get through a lot of work.

Mr. MACKENZIE: It is about time we did some work here.

Mr. KNOWLES: May I, under section 29, which has to do with the coming into force of this legislation, ask the minister or the parliamentary assistant whether he will comment, at least briefly, on some of these requests of the widows which the government has not granted in this legislation?

Mr. MACKENZIE: I can tell my hon. friend that I am keenly aware in the last three or four years of his assistance and devoted interest in this question, along with the hon. member for Davenport, and that the question will be reviewed from time to time and given sympathetic consideration. I cannot make any definite or positive declaration at the present moment.

Mr. BROOKS: I should like to point out to the minister that practically all the members of the veterans committee wanted to give them sympathetic consideration.

Mr. MACKENZIE: Yes; I overlooked that.

Mr. BROOKS: It is hardly fair to single out certain members.

Mr. KNOWLES: May I ask whether the provision made a year or two ago, whereby the expenses of some of these women, in coming to Ottawa to confer with the war veterans allowance committee about these matters, will be retained?

Mr. MACKENZIE: I would say, no; that would be a very bad practice to establish. They were paid expenses the year before last; and upon the motion of, I believe, the hon. member for Vancouver South in committee this year, their expenses were paid. But if this parliament is going to establish a practice of paying the expenses of one veterans' organization, women or men, the thing would be endless; and I think it should be left to the generosity of the committee at the time.

Mr. BROOKS: Was not an allowance made in the estimates to this organization a few years ago?

Mr. MACKENZIE: The year before last.

Mr. BROOKS: And it has not been repeated?

Mr. MACKENZIE: It has not been repeated. This year they were paid their expenses on the motion, I think, of the hon. member for Vancouver South, by the committee as a committee of parliament. But honestly I think it is a practice which should not be continued.

Mrs. STRUM: Has any change been made in the allowance schedules for these non-pensionable widows?

Mr. TUCKER: No, there has been no change.

Mrs. STRUM: You will have them again next year, then?

Mr. MACKENZIE: That is right.

Section agreed to.

Bill reported, read the third time and passed.

VETERANS' LAND ACT

AMENDMENT TO PROVIDE AUTHORITY FOR SALES OF LAND, BUILDING MATERIALS, ET CETERA

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs) moved the second reading of bill No. 336, to amend the Veterans Land Act, 1942.

Mr. J. A. ROSS (Souris): I should like to offer a few observations on this phase of the new Veterans Charter, bill No. 336.

The Veterans Land Act, as most hon. members realize, came into being in 1942 with the object of settling veterans, who were qualified, on farms. It was divided into two sections, one for the full-time farmer and one for the part-time farmer, or what is now recognized as the occupier of a small holding, which means a house on a half-acre of land. I thought at the time that was a splendid idea, and it is, but we have run into some difficulties on account of the administration. To be fair to the administrative officers, their task has been pretty difficult, with the present housing crisis, in administering the small holdings and in starting a great number of applicants upon land at the present time. Moreover, things have changed greatly in value since 1942; and with a ceiling of $6,000 to settle a veteran on an area of land and provide a house, barn, granaries, live stock and equipment, it is almost impossible to realize this project in any good district to-day. On the other hand,

the same ceiling applies in the case of a house and a half acre of land. Everybody knows that building values have skyrocketed. It is impossible now to build the type of house which was intended for a sum of not more than $6,000. I notice in the paper that in Victoria such a house is now costing $7,636, without carrying charges estimated at $1,100 odd, spread over twenty-five years, and in that particular case the veteran, his wife and family agreed that they could not undertake that obligation. Things are going to be difficult in that respect for this administration and for parliament in the near future.

As to the matter of full-time settlement on the land, I want to raise one objection. I wish to be fair to the director. Under order in council P.C. 10472, certain adjustments were made in 1942, I believe, in relation to the old soldier settlers, and since then many have obtained clear title to the land. It may be said in fairness to the director that he has taken all the safeguards possible to protect the new veterans in the purchase of farms to-day, but in some cases the decision of his office works rather unfairly to the new veteran. Let me give one example which will illustrate a good many cases. I have in mind a young veteran who wished to purchase an area of land adjoining his father's farm in one of the best agricultural districts in Manitoba. He qualified as a good settler, made a cash payment, was given his receipts and was told to go ahead with his spring operations. But the administrative officers felt that, because the property was originally owned by a soldier settler of the first great war and this adjustment had been made under the order in council to which I have referred, the purchase could not be effected for this young settler. That is the grievance I have.

I sympathize with the practical difficulties with which the director has to cope, but I still think this is unfair to the new veteran, when one considers that this farm is one of the best obtainable, adjoining land owned by this young man's relatives, where he could borrow necessary equipment and so on. I suggest that everything possible should be done to assist young veterans to make a success of their settlement on the land at the present time, and I hope the administration will relax their regulations a bit in this regard.

Probably no member of the veterans committee has pointed out more consistently than I have done the necessity for taking safeguards to see that there is successful settlement of veterans on the land, but I suggest that in this particular case there has been too much red tape. I repeat, I sympathize with the director and his administrative officers; but where land is so desirable, notwithstanding the fact that adjustments were made with the old settler, it is only fair that everything possible should be done to see that a new veteran is settled under the circumstances I have mentioned. This case that I have brought forward is typical of a good many others, and I hope that something can be done to meet this criticism.

There is another criticism I made, not only in our committee but elsewhere, and that has to do with the question of war assets. I am aware that I cannot go very far in the discussion of that question under this bill, but I have been keen in advocating that priorities be granted veteran settlers. I would urge upon the government the importance of this, even though I may be somewhat out of order in doing so at the moment. I sincerely trust that something will be done to assist these settlers in obtaining priorities. After the discussion we had yesterday morning in this house, there is further evidence that much of that equipment could be made available first of all to the veterans who are settling in Canada.

So far I have been rather critical—

Mr. MACKENZIE: Not very bad.

Mr. ROSS (Souris):—and now I wish to say a word in commendation of the government, on the recommendation of the committee, with respect to this amendement allowing the tenant settler to procure equipment. This is something that should prove quite beneficial in future years. It has not been in effect long enough for the results to be apparent this year; but, after pointing out the difficulties that have arisen since 1942 in regard to the purchasing of good land and buildings, with the ceiling prices we have to-day, and with many of our farmers who struggled along through the war years now wishing to retire and lease their farms to good settlers, I hope that these men will be able to procure equipment on a percentage of the assessed value of the farms. This provision is something that is not clearly understood in the country, and perhaps it might be well for me to read it:

Enabling the director to purchase stock and equipment up to the value of $3,000 for veterans leasing farms, or owning their own farms, provided that the amount of the loan in such cases would not exceed 40 per cent of the value of the land and buildings, as determined by the director, and provided further that 20 per cent of the cost of the stock and equipment so purchased was paid by the veteran. The suggested amendment would further provide for a grant of 40 per cent of the value of the loan on the completion of the agreement under conditions similar to those contained in the present act. Should a veteran later wish to purchase land

and buildings he would be entitled to assistance, as at present provided, up to the amount of the difference between the amount of his loan and the sum of $5,800.

That should prove of assistance to those young settlers who can lease a farm and then purchase the machinery and equipment on a percentage of the assessed value of the farm; and, as time goes on, they can make arrangements to purchase the farm and become settled in that fashion.

I do not wish to take up any more time. I could spend considerable time in discussing other matters; and minor amendments have been passed, to assist in the administrative set-up of the department, to which I might refer—for instance, bringing the director into closer contact with the deputy minister and the other officials. That should work to the satisfaction of all. At this time, however, I will not do more than express the hope that the minister will be able to carry out the suggestions I have offered in the way of loosening up the administration, in the way I have indicated, in the interests of new veterans.

Mr. P. E. WRIGHT (Melfort): I have just a few words to say and I hope I shall not get into quite as noisy an argument as I did yesterday with the parliamentary assistant and the minister. I can assure them it is not my intention to do so.

I believe that the present bill is a great improvement on the old Soldier Settlement Act which we had after the last war, and there is no reason why it should not be. At that time we were starting something new in this country and we had no experience either of the administration of such an act or in the building up of the necessary organization. It was to be expected, therefore, that we should make some mistakes.

In drafting this bill in 1942, I believe, the government and the committee took into consideration many of those mistakes and tried to draft a bill which would at least, as far as possible, remedy some of the defects. But in doing that we find that probably we created certain other difficulties and made certain other mistakes. Perhaps one of the greatest mistakes in the old Soldier Settlement Act was the fact that it was started in a period of inflation and that there was no write-off in the debt, so that the soldier started with a debt which it was impossible for him to pay under the circumstances which developed later.

In this new bill we decided, in the first place, to see that the soldier had a fair equity in his land. Later, we found, through the increase in the price of land, that, in order to obtain land, we had to reduce that equity, and in my opinion we probably reduced the equity just a little too much at the present time.

In 1941 I made certain suggestions—other hon. members did the same—to the effect that the government should have taken over certain types of land and held them for the veterans at the close of the war—certain lands such as C.P.R., C.N.R., Hudson's Bay and mortgage company lands. That land would have been available to the soldier at a reasonable price, the price which obtained at that time. That was not done and, as a result, much of the land to-day is being sold to our veterans, under the Veterans Land Act, at a considerable increase over the 1941 price.

Mr. MACKENZIE: Does my hon. friend recall that when he was on the committee in 1942 the advice of all practical farmers was to go very slow with the acquisition of land?

Mr. WRIGHT: Yes, with the acquisition of improved land. But at the time I did suggest that a lot of this unimproved land should have been secured, if possible, at prices which obtained at that time, or reserved at these prices for later development by the soldier when he returned. This has resulted in the administration having great difficulty in obtaining land for settlement at prices which they believe to be reasonable. That is one of the greatest difficulties for the returned man who has to buy good land in a reasonably sure crop district at prices which the board can afford to pay. The administration are setting prices at approximately the 1941 or 1942 prices of farm land in Canada. If the soldier wishes to obtain that land he must put up the difference between the price that is being asked to-day and the 1941 or 1942 prices. That is going on in a great many places. The result is that only those returned men who have relatives who can advance or give them money to pay the difference are the ones who are able to obtain land at the present time. It is restricting the numbers who can be settled under the act. I am one of those who were in favour of seeing that high prices were not paid for land on which these soldiers were to be settled; nevertheless I think conditions have changed in Canada. Our whole price structure is on a higher level. Just the other day the government announced that we were to have a stabilized price for wheat over at least the next four years. That price does justify some increase in the value of land in western Canada. The board would be well advised not to stick too strictly to their present policy of paying not more than the 1941 or 1942 prices. In good crop districts the

value of this land has advanced to a certain extent and the board should take that into consideration.

There is no doubt that the restricting feature of this bill is the availability of good agricultural land in Canada. There is nothing very much that this government can do about the matter. There is only so much land here. A certain amount of it is under provincial control.

Mr. MACKENZIE: Would my hon. friend not commend what we have done by way of agreements with provincial governments with regard to provincial land?

Mr. WRIGHT: Yes; I am coming to that. Most of our natural resources are under the control of the provincial governments. I believe that the dominion government is making a real effort to come to some agreement with the provinces with respect to land. Nearly all the provinces are prepared to cooperate. Some have already signed agreements.

Mr. MACKENZIE: Four.

Mr. WRIGHT: Yes; and I believe others will sign in the near future. There is one point with respect to these agreements which I should like to bring out. Under the old Soldier Settlement Act we found that a great number of our returned men were sent into districts where they were thirty or forty miles from the railroad. They were settled on new land which in many places was hard to clear. While they were settled in groups, yet we found that within two or three years many of them became discouraged and pulled out, which left those who remained, in scattered settlements where it was impossible to give them the amenities of life, the roads, schools and other things which are necessary and which we should have in Canada to-day. Most of the provincial governments are trying to overcome that. Some of them have devised different schemes of doing so. They are opening up one large tract in Alberta. They have contracted with a United States firm to clear so many thousand acres of land which will be made available to soldiers. I expect that other provinces will have other agreements. I know it is the intention in Saskatchewan to try to avoid some of the errors of the past.

Mr. MACKENZIE: I must say that Alberta has been the most cooperative of all the provinces.

Mr. WRIGHT: I am glad to hear that. I knew it would be one of the western provinces which would be in that class. Probably the reason why the minister did not include Saskatchewan is that he and they do not agree on the methods by which veterans should be settled on provincial land. We believe in that province that, in trying to avoid the pitfalls of the past, we should see that these settlers are placed in groups where we can give them the roads, schools, medical attention and other services to which we believe they are entitled. That province believes that the principle of cooperative farms should be tried out there. I am sorry that the government have not seen fit, when they were amending the act, to include an amendment which would have permitted funds granted by the dominion government to be used for cooperative purposes, not only in the buying of land but in the buying of fishing equipment and equipment for any other work which the various settlers wish to undertake in a cooperative way. There should have been an amendment which would have permitted that.

In Saskatchewan we feel that that would have been the best method, or one of the methods which should have been used in placing settlers there. Probably we shall be able to work out some satisfactory agreement even under the regulations in the act as it stands at present. Under sympathetic cooperation it is still not impossible to do something along these lines, and I hope that the government will give sympathetic consideration to proposals there. I can assure them that it is the desire of the government of Saskatchewan to cooperate in every respect, and, along with the dominion government, to assume responsibility with regard to any losses which might occur when settlers are placed in this way. I would suggest that the government continue to give sympathetic consideration to the suggestions which are coming from that province.

I should also like to comment on the amendment which we now have before us. I believe that it is a good amendment. There is no doubt in my mind that it will assist greatly in settlement in the better districts in western Canada. There are areas where, at present prices, it is difficult to obtain an economic unit of land.

Mr. ROSS (Souris): The hon. member is referring to leases.

Mr. WRIGHT: Yes. It is hard to obtain an economic unit under the old act where they have to buy. Under the new amendment they will be able to lease an economic unit and obtain assistance in securing equipment to work it. Later, when they have built up a little capital of their own, they will be able to get further assistance in the purchase either of the rented farm or of a new unit on which

they can carry on. So that I commend the government on the amendment being made in this act.

The matter of small holdings has been discussed. I believe that when the bill was introduced originally, in 1942, it was expected that the small holdings would be more or less agricultural undertakings; that certain operations would be carried on there in connection with the production of perhaps, honey, the raising of poultry, the planting of fruit trees, and so on. On account of housing situation, however, this part of the act is becoming more and more a housing scheme to-day. I do not agree with that. I admit that under present circumstances this may be necessary, but I have always felt that housing should be dealt with by another department and the small holdings scheme carried out according to the original intention. It was designed to give at least a partial living to people who might be able to obtain other part-time employment, in factories or elsewhere, not only in the larger cities but in the smaller towns as well, and I think would have served a good purpose in this regard. It still can be made use of in that way, but up to the present it has been concentrated principally around the larger cities and used as a housing scheme.

I hope and believe it is the intention of the government to get away from this system as soon as possible and spread the small holdings in the vicinity of the smaller towns. I feel there is a place for this scheme in all parts of the western provinces. There is no doubt in my mind but that very few towns of more than one thousand population in western Canada could very well afford to have from five to ten of these small holdings in the vicinity; and I hope that as soon as present shortages of building materials are overcome the scheme will be extended and these small holdings established adjacent to the smaller centres in western Canada, at least, because I know, from observation covering many years, there has been a natural growth of these small holdings around our towns, operated by people who obtain part-time employment in the towns and carry on these small operations. So I hope that within the next few years the government will make that part of the act work much better than it is working at the present time.

There are other matters with which I shall deal when the particular sections are reached, but once more I want to urge that the government give sympathetic consideration to amending the act to provide for the cooperative use of the money available under it. The government will have to assume the responsibility for not including that provision in the bill. They will have to assume the responsibility if in certain provinces they do not find it possible to settle as many returned men as they would like, because of this restriction which arises from the fact that no provision is made for the cooperative use of this money.

Mr. VICTOR QUELCH (Acadia): Mr. Speaker, I am thoroughly in accord with the amendments proposed in the bill, which I think will help bring about the settlement of more men on the land. I say that chiefly because the price of land has gone up in the last few years, and, as a result, many boys are being forced to rent farms. This measure provides for loans and grants to them.

I supported the Veterans' Land Act when it was introduced in 1942, but at that time I pointed to a number of difficulties under which the veterans would labour. Unfortunately those difficulties have increased as a result of increases in the price of land and equipment, together with the great difficulty of obtaining equipment at this time. I pointed out then that it would be quite difficult for a boy with limited resources to go into full-time farming under this act unless he could get the help of his parents. Of course, where a boy's parents live in the vicinity they have machinery which will be available to the boy, but not many are in that happy position. To-day officials under the Veterans' Land Act are turning down many boys purely on the ground that their financial resources are not sufficient to make it possible for them to start off with any chance of success. Many of those turned down are boys who have lived on farms all their lives, and with good records in the army. They are being turned down purely because their financial resources are not sufficient to ensure them a good chance of success. I am not criticizing the officials for this. When we discussed the Veterans' Land Act in this house we were critical of the officials of the old soldier settlement board for settling boys who did not have a real chance to make a go of it. As a result, the officials are being careful to see that the boys settled now will be likely to succeed.

Having that in mind, when we were dealing with these amendments in the committee I suggested that it should be possible for veterans to pool their grants for the purpose of buying equipment. The director stated that he had a proposal under which veterans settling on provincial lands would be able to pool their grants, but I think we should go farther than that and make it possible for a number of veterans settling on privately owned land to pool their grants for this purpose. Then a subcommittee was appointed to consider the advisability of making the Veterans Land Act

apply to cooperative farms, and that subcommittee brought in a report urging the government to investigate the question and see whether it would not be possible in future to make the Veterans Land Act apply to some form of cooperative institution. If both these things are done I believe they will help take care of many boys who otherwise will be deprived of the benefits of this act, and who may just have to take jobs. So that I urge the government to follow up these matters and see that provision is made for the pooling of grants to boys who want to settle on privately owned land, and also for the making of grants to those who want to enter upon some type of cooperative farming.

Mr. C. E. STEPHENSON (Durham): I wonder if we could have some statement from the minister as to how farms for veterans are purchased. I understand that there are regional officers and a supervisor for each office; but who actually purchases the land; and is an analysis made of the soil to determine whether or not the property is suitable for farming purposes? I ask this question because I have had several complaints along this line, one in particular concerning a farm which was purchased for a veteran, in connection with which it was stated that a junior farmer had worked the land for about four years and finally had to give it up owing to the poor quality of the soil. In spite of that fact it was purchased, at quite a price, to be sold to veterans under the Veterans' Land Act. I was wondering how this land was purchased, and if an analysis were made of the soil to indicate its suitability for farming. That can be answered later on by the minister.

Then it seems to take considerable time to have these transactions put through. A veteran may decide to purchase a farm for post-war occupation, and will begin proceedings for that purpose. But six or eight months will have elapsed before the papers are finally completed, and he finds he must wait all that time to get on the land.

Then there is the matter of small holdings. Several small holdings have been opened up across the country, but for some reason or another there does not seem to have been any great effort put forth to have them completed. Is it because the prices are so high the veterans do not want to purchase them? The figures indicate that 3,000 of these small holdings have been started, but only about 400 have been completed to the present time. In my own district they seem to be held up for some reason or another. Is it because the veteran feels he cannot afford to purchase at the prices asked? I should like to have the minister answer these questions.

Mr. TUCKER: When we go into committee.

Mr. T. J. BENTLEY (Swift Current): Mr. Speaker, I thought the minister was going to reply, but since it appears that he is not at this time, I shall just add a few words to what the hon. members for Melfort (Mr. Wright) and Acadia (Mr. Quelch) have said.

I was on the subcommittee which discussed the possibility of cooperative farms being established under the Veterans' Land Act. It was evident in that committee, as it has been made evident by other discussions in the house, that many members of the committee had not the foggiest notion of what a cooperative is. I was surprised to hear them express fear that the venture would not succeed. I could understand people who never had occasion to face danger or risk expressing fear that something would or would not happen. But it was surprising to me to hear veterans of both wars express fear, particularly in view of the fact that everything had been promised by the veterans themselves, to remove that cause of fear.

In the first place, the illustration of Matador, which was used, indicated that the government of Saskatchewan was prepared to give financial support to the point where operations under the Veterans' Land Act would not lose money. They were not prepared to allow a veteran to settle in this way on crown lands unless the veteran expressed the desire to do so. Consequently, there was no possibility, so far as human foresight could be exercised, of any slip-up.

No one wants to make a mistake, no matter what it is. But even though it was explained to the committee that these men were given every opportunity to see all the pitfalls as well as the advantages, and were given the necessary assistance and support, the committee did not see fit to recommend that this be undertaken.

Because of that I am convinced there will be a good many veterans from Saskatchewan who would have liked to re-settle in that province, but who are not going to be able to get the land, even with the useful improvement set out in section 2 of the bill. I should like hon. members to understand the importance of giving that opportunity to these boys. It does not mean that every veteran will accept the opportunity; but it does mean

that a section—perhaps a small section—of Saskatchewan veterans will want to do so, and, if they do, they should not be prevented by some regulation which someone is afraid to change.

We talk about venture capital and private enterprise, and there is more talk about those things from other sections of the house than from this one. But there is no more private enterprise in the world than that found in a cooperative. No one goes into it unless he is privately convinced that he wishes to do so. It is purely and strictly a private procedure, just as private as any enterprise can be in this world.

These men were promised certain grants under the Veterans' Land Act, because of their service. To prevent their getting them is not fair. Not only are there crown lands to settle, but in our wheat growing areas we have large mechanized farms, the owners of some of which are willing to sell. But the $6,000 allowed under section 9—

Mr. SPEAKER: Order. I am sorry to interrupt the hon. member; but at this stage of proceedings, namely the debate on second reading, hon. members are not supposed to discuss the details of a bill. Only the principle of a bill can be discussed at this point. If the hon. member has representations to make, I suggest that he wait until the house resolves itself into committee.

Mr. BENTLEY: I observe your ruling, Mr. Speaker, and I expect that you are correct. You usually are. I shall not go into greater detail, more than to say that, while in some respects I agree with the principle of the bill, one weakness is that it does not permit cooperative farming under the Veterans' Land Act. I may have more to say later on.

Mr. J. H. HARRIS (Danforth): Mr. Speaker, I wish to speak only briefly, if I may, on the principle of these half-acre and one-acre lots. In the township of Scarboro to-day there are fifty of these properties vacant, and they have been vacant for some months. In the county of Ontario the number has reached 100. They should be occupied. There is something radically wrong with the principle underlying investment by the government in these developments which, in turn, have not been taken up by veterans.

I put this on the record so that the officers of the department may secure occupants for these buildings in the township of Scarboro and the county of Ontario, even if the government has to take a loss on them. If its judgment was wrong in providing for half-acre and one-acre properties, under this $6,000 plan, then take your licking and have the properties occupied. We need the houses.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Macdonald (Brantford City) in the chair.

On section 1—Appointment and salary of director.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

Mr. POULIOT: Mr. Chairman, I have here the act itself, chapter 33 of 1942, and by virtue of that act which is to be amended by the bill before us only those can enjoy the benefits of the act who enlisted and went overseas, even though for just a Cook's tour, and those who have served in Canada for a period of twelve months. If any soldier for any reason whatsoever has not been sent overseas or has not served twelve months in Canada he cannot take advantage of the act. I find that that construction is wrong because the purpose of the act is twofold. It is designed to help the veteran who has had some farming experience and has a natural disposition to establish himself on a farm, but it has also the higher purpose of serving the country at large by establishing more good men on the land. Those reasons can be taken together or considered separately. If you take them together I do not see why we should give better treatment to the man who has signed a paper for overseas service than we give to the soldier who has not signed such a paper but has abided by the law. Even if that man has not abided by the law he is entitled to enjoy all the benefits of the act for the superior reason that farmers are essential to this country, not amateur farmers but real farmers who can do well by working on the farm. In a moment I shall move an amendment to that effect.

The famine which some members of parliament predicted at the time we were fighting for the farmer is now showing itself. It is not only on the horizon; but even now in this country which has been so generously endowed by the Almighty, we are finding that the land does not produce enough to satisfy the requirements of the Canadian people. Therefore it is not simply a question of rewarding the veteran who was sent overseas; it is a question of public necessity. How many

times have I seen boys with a good agricultural background come into my office desiring to establish themselves on the land, on a farm of their own, perhaps because the old homestead that belonged to their father was not large enough to establish all his sons. They said: We have been in the army and we should be able to take advantage of the legislation that was passed in 1942, four years ago. But nothing could be done for them. At the present time there are many boys, mostly farmers and lumbermen, who could help out this country by cultivating land which is not now being cultivated, or by opening up new land, but those boys find it impossible to help out their country in that way because of the shame that has been attached to them because people have been credulous enough to believe what was said about these boys by those high in authority.

I wonder if the time will ever come when all the members of this parliament will give the farmers of this country the credit that is due to them, and honour them, not with decorations on their breast, because the farmers do not care about ribbons and medals. But they are ready to serve their country.

When we were asking that farmers be exempted from military service it was not because they were a lot of cowards. It was because they had a duty to fulfil to this country, a duty whose importance was minimized down to zero by some people.

The CHAIRMAN: Order. May I remind the hon. member that we are discussing the Veterans' Land Act, and not the question of deferments that were granted during the last war. I would ask the hon. member to relate his remarks to the bill now under consideration.

Mr. POULIOT: Mr. Chairman, as an old soldier you know very well that there is a bombardment before an attack.

The CHAIRMAN: May I remind the hon. member that a bombardment to be effective must be directed on the target.

Mr. POULIOT: Yes, sir, but the attack will be very mild, and it will be in the form of an amendment which I shall move when I am through with my few remarks.

As you know, Mr. Chairman, what is before us is not only this bill but the act of 1942 which it amends; we have to consider the two together as forming a whole, and what is of the utmost importance is to know precisely which of our veterans will be in a position to take advantage of the legislation that is now before the committee. That is my point. As the bill now stands, the only ones who will be in a position to take advantage of the legislation will be those who enlisted and served for any length of time overseas and those who, having enlisted have served for twelve months in the forces in Canada or in some auxiliary service. It may be that all draftees who have been abiding by the law will be deprived of the benefits of this legislation. I am strongly opposed to that kind of legislation. This bill will be no improvement unless those who have had experience in farming and are real farmers have an opportunity to take advantage of the act and cultivate the soil. That is my point.

In order to enlighten the committee on the real purpose of this amendment and the motive behind it, I must recall the errors of the past, when people who were steeped in prejudice gave no chance at all to those who were entitled to the dignity of man. I have the highest regard for the farmers. It was taught to me in my family. I live in a semi-rural district. In my family I have been told since I was a little boy that the farmer is the feeder of the country, the man without whom we could not eat at all, we would die of hunger. Therefore the case I argue now is not only the case of the veteran; it is the case chiefly of the veteran who is a farmer and who was put in the army in spite of the fact that his duty, his national duty, was to stay on the farm at the time. I regret that able young men who were on the farms were compelled to go into the army, and their case was not considered fairly at the time. It was not considered with justice and fairness, because the farmer was regarded merely as a slacker. I submit to you, Mr. Chairman, and I will maintain all the time I have an opportunity to speak, that the farmer who did not enlist during the war, the farmer who claimed exemption because his duty was to be at home. was not a slacker. I regret to say, from my personal knowledge, that a farmer who has reached the age of fifty is not in a position to do all the hard work on the soil. He must rely on the assistance of his young and robust sons to do ploughing, to clean ditches and perform other hard work. The old man suffers, perhaps, from reheumatism, at his age he can do only light work on the farm. I wonder whether the circumstances are similar in the west, where agriculture is mostly mechanized. What I have said is true of my district as well as of Ontario and the maritimes, and perhaps also of British Columbia. The farmer needs his young sons. In how many cases have I met young lads who were ready to enlist but who did not do so because of a sense of duty to their family and their country. Moreover, sir,—

An hon. MEMBER: Order.

Mr. POULIOT: I would like those who say "order" to be heard by all the farmers of the country whose cause I defend to-day.

The CHAIRMAN: Some hon. member has called "order", but, as I understand the remarks of the hon. member for Temiscouata, he is contending that those who served on the farms during the war should be included in the bill. If that is his intention he is in order at the present time.

Mr. POULIOT: Yes, sir. But to clear the sky and remove the difficulty, I will take the preamble of the bill, and the committee will notice that those who drafted it knew nothing of the conditions on the farms in this country. I shall certainly be in order to read the preamble, because the preamble precedes clause 1, and besides that it is an illustration of the real purpose of the act. Let us see what it is:

Whereas many men now serving in the active forces of Canada have recorded their desire to settle on land or engage in farming when hostilities cease . . .

"Many men"! It is not true. It is not true because the boys who have left the country to go to the army have been uprooted. Very often when they live in the cities afterwards they do not want to return to the country because the work on the farm is very hard, painstaking. When they live in town and have facilities which ought to be available in the country, these boys are reluctant to go back to the the old homestead; they want to lead an easier life. That is my experience, after dealing with quite a large number of farmers. Therefore, when we find a few who are ready to go back to the farm they must be awarded the greatest advantages possible, precisely because of their intention to return to the painstaking and arduous work which is the lot of the farmer in this country, work which starts at dawn and finishes a long time after dusk. It is not true that many men are ready to go back to the farm after serving in the army. I am sorry to say that this is one of the bills of which the least advantage will be taken, for the very reason I have given, and it is precisely because I want the bill to be just as serviceable as possible to those who want to farm that I speak as I do now.

To continue with the preamble:

. . . and it is desirable that suitably qualified veterans be encouraged to seek rehabilitation in the agricultural industry.

Suitably qualified veterans! Who are the most suitably qualified veterans? It is those who had their training on the land. You cannot make a farmer by inviting a white-collar man to go to the farm and start doing business there. He will be a complete failure. You must go to men of experience. Farming is an art, and very few men can excel in an art without having some experience of it. "Fabricando fit faber." It is by working that one improves his art, his skill, and this is as true of farmers as of anyone else. And the most suitable of all are precisely those who are kept in clink now, more than a year after the war is over, just to satisfy the anti-Canadian and anti-national animus of the brass hats who would lose their jobs if the clinks were closed. I congratulate the hon. member for Portneuf on the strong language he used the other day. He made an able speech; it was time to say it; it should be repeated by all of us, just as though we were singing the national anthem, and it would be the national anthem for the farmer.

The CHAIRMAN: Order. The hon. member is not now discussing a matter relating to the Veterans' Land Act.

Mr. POULIOT: Therefore, sir, I move that:

Sub-paragraph (d) of section 2 be repealed and replaced by "any man in the army, air force, militia or navy of Canada."

The CHAIRMAN: Order. The committee is now considering section 1, and amendments to sections should be made as we reach the section. The section before the committee is "appointment and salary of director."

Some hon. MEMBERS: Carried.

Mr. POULIOT: Excuse me; the first section which is referred to in the bill before us is section 3. Therefore section 2 precedes this section 3, and for that reason I am making the amendment. It will take me a minute to write it, and I will send it to you to submit to the will of the committee.

The CHAIRMAN: I understand, then, that the hon. member is amending section 2.

Mr. POULIOT: I wish to amend section 2 of the act, the first act of 1942.

Mr. FLEMING: Section 2 is not affected by the amendment.

Mr. POULIOT: Are we bound by the amendments which are proposed by the minister to the bill?

The CHAIRMAN: The hon. member, as I understand his remarks, desires to add a new clause to this bill—

Mr. POULIOT: No, sir. I want to change the bill of 1946, the bill that is before us—

Mr. MACKENZIE: What clause?

Mr. POULIOT: I am speaking of bill No. 336, which is before us. The purpose of it is to make some changes in chapter 33 of 1942,

and my amendment will be included in bill No. 336 which is now before us, but it will refer to the act of 1942. My contention, sir,—

The CHAIRMAN: If the hon. member proposes to present an amendment to this bill the amendment must be in writing. I have tried to ascertain which clause of the bill he desires to amend and I have not been able to do so. Therefore there is no amendment before the committee at the present time.

Mr. POULIOT: What I mean is that the committee is not bound by the bill that is now before us in amending the act of 1942. My amendment will not be to the bill of 1946; it will be in the bill of 1946 to amend the act of 1942; and since the first amendment in the bill that is now before us is in regard to section 3 of the act of 1942, and since the amendment that I am going to sponsor relates to the second section of the act of 1942, now is the time to submit it to you, sir, on the first section of the bill. I hope you will take it into consideration as soon as my amendment is presented in writing.

The CHAIRMAN: The hon. member has explained that he desires to amend the present section 2 of the act—

Mr. POULIOT: By repealing paragraph (b).

The CHAIRMAN: Then it will be necessary for him to put his motion in writing—

Mr. POULIOT: Yes.

The CHAIRMAN: —and in my opinion it would be a new clause to this bill, amending section 2 of the present act.

Mr. POULIOT: Exactly.

The CHAIRMAN: If the hon. member will put his motion in writing I will consider whether or not it is in order.

Mr. FAIR: Before section 1 passes, I wish again to commend the committee on veterans affairs for the very good work done, but at the same time I wish to remind them of one or two things they have not done which they should have done. I am considering once again the recommendation I made on several occasions, that the committee should see that a clause is written into the veteran's contract, under the Veterans' Land Act, that present prices for farm produce, including grain, live stock and other products, be guaranteed until the loan has been repaid by the veteran. I do this because the veteran is compelled to sign a contract on the basis of to-day's prices for land, live stock and equipment; and because he is compelled to sign that contract I feel that the government, in fairness to the veteran, should be compelled to sign a contract also that prices now prevailing, and on which the prices of land, live stock and equipment are based, should be guaranteed until the loan has been paid by the veteran.

I make this recommendation again to-night because I think something should be written into the bill by the government. I would move an amendment to that effect, but I know I would not be in order in doing so. If that is done, however, it will prevent a repetition of the treatment that has been handed out to the veterans of world war I, who have been neglected by the special committee on veterans affairs.

On many occasions I have brought up the case of these old veterans. On October 1 last we had a discussion on a resolution in my name in which twenty-two or twenty-three members took part and about twenty were in favour of the proposal. The disposal of that resolution was to send it on to the special committee on veterans affairs, and that committee asked a delegation of the soldier settlers association to come to Ottawa once again and present their brief. On the day on which the brief was presented there was not sufficient time for a discussion of it and another day was set aside later on for the purpose. After the motion to grant clear titles was presented, an amendment was introduced—which let a number of government members out of a corner—to the effect that nothing be done in connection with clear title, but that further time be granted in which the veterans could make application for an extension of time and a reduction of their debts. In my opinion, that is not good enough and—

Mr. TUCKER: On a point of order, I do not mind the hon. member debating this question, but he has already discussed it in connection with the soldier settlement bill which has gone through the house this session. Surely, therefore, he has no right to debate it again on an entirely different bill. Some attempt, I submit, should be made to observe the rules of procedure.

The CHAIRMAN: I must remind the hon. member for Battle River that there is another act dealing with soldier settlers of the first great war, the Soldier Settlement Act, which was considered in this house and in this committee a few weeks ago. It is an entirely different matter and should not be discussed under the Veterans' Land Act.

Mr. FAIR: Mr. Chairman, I am going to suggest to-night that the Department of Public Works see to it that the tacks are all

removed from the chair occupied by the hon. member for Rosthern (Mr. Tucker), because he does not seem to be able to sit still.

Mr. TUCKER: Very funny.

Mr. MACKENZIE: No, it isn't even amusing.

The CHAIRMAN: May I ask the hon. member for Battle River to be good enough to discuss the Veterans Land Act of 1942 and the amendment, bill No. 336, which is now before the committee.

Mr. TUCKER: If your case is bad you abuse the other side.

Mr. FAIR: Surely we are not to be denied the right to bring in matters of this kind in support of our argument.

The CHAIRMAN: It is entirely out of order to discuss at this time another question which has already been disposed of this session by the house and by this committee. I think the hon. member is familiar with the rules.

Mr. FAIR: I fully appreciate, Mr. Chairman, the view you take, but I am using the treatment of the old veterans as an illustration to show what will happen to the new veterans unless some protective clause is included in the act. Surely that is plain to a lawyer like the hon. member for Rosthern. He must remember that in a few days he is going to Saskatchewan—

Some hon. MEMBERS: Order.

The CHAIRMAN: That has nothing whatever to do with the Veterans' Land Act, and again I appeal to the hon. member to confine his remarks to the subject before the committee and not to discuss the Soldier Settlement Act.

Mr. POULIOT: Would you deal with my amendment, sir?

Mr. FAIR: I am awfully sorry; I wish to discuss this matter for one minute. I should have been through long ago if I had been allowed to carry on by hon. gentlemen who cannot sit comfortably in their chairs. It is just too bad that this section had not been written into the present act. It is not because it has not been brought to the attention of the minister.

Mr. MACKENZIE: Order.

Mr. FAIR: Perhaps the minister is also getting uncomfortable in his chair. This is one thing that should be done for the protection of these new veterans who are to be settled under the Veterans Land Act. I am simply pointing out that that protection has been needed by the old veterans of world war I. I have pointed out the suffering which they have been compelled to go through because the protective measures were not taken. If we are not allowed to carry on this discussion, then we must thank the Minister of Veterans Affairs and his parliamentary assistant who are both objecting to the discussion. They will have to be responsible for the potential failure of the veterans who are to be settled under the new act.

The CHAIRMAN: The motion of the hon. member for Temiscouata has now been received by me. I shall read it to the committee. Mr. Pouliot moves that:

Paragraph (d) of section 2 be repealed and the following substituted therefor: "veteran" means a person who at any time during world war II has been in the militia, the air force or naval services of the Canadian forces, whether serving voluntarily or in virtue of the National Resources Mobilization Act.

Mr. MACKENZIE: Have we passed section 1?

The CHAIRMAN: If the hon. member for Temiscouata's motion is in order it would necessitate a new section being written into the bill which would become section 1, because it amends section 2 of the act. Section 1 of the bill amends section 3 of the act.

Mr. MACKENZIE: Mr. Chairman, I rise to a point of order. The amendment proposed by the hon. gentleman, as I understand it, changes the definition of a veteran to include persons who had less than one year's service and who are not now qualified under the provisions of the act. Therefore it would impose additional taxes upon the revenues of the country and is out of order.

The CHAIRMAN: I have reread and studied the amendment of the hon. member. It seems obvious that it would extend the benefits of this act to a large group of men who served during world war II in the way in which he suggests.

Mr. POULIOT: I do not wish to interrupt you, sir, because I have the greatest respect for the Chair and for you personally. The minister has complained that this will mean an increased expenditure because I change the definition of the bill. Whoever heard of such a thing? I do not propose any additional expenditures; I want to change the definition of a veteran; I want the right one.

Mr. MACKENZIE: Order.

The CHAIRMAN: Order.

Mr. POULIOT: If the hon. gentleman would listen to me it would be to his advantage. But, sir, I speak to you with the

greatest respect. I will tell you that I put aside all formality, but I abided by one, namely, to put the amendment in writing. My amendment is perfectly regular.

Mr. MACKENZIE: Order.

Mr. POULIOT: I ask the minister please to keep quiet. My experience at the bar has been as long as his, if not a little longer.

The CHAIRMAN: Order. May I ask the hon. member for Temiscouata to confine his remarks directly to the point of order and make them as brief as possible.

Mr. POULIOT: That is what I want to do, sir. Of course, law is supposed to be common sense and if a definition is wrong it should be improved. My idea is not to increase the expenditures of this country. By the way, I am not proposing this bill; it is the hon. gentleman who proposes it. I am asking for a change.

Mr. MACKENZIE: I must rise to a point of order. A point of order must be confined definitely to the point of order raised. I say to you, sir, that 100,000 men who had less than twelve months' service are affected under the proposed amendment of the hon. gentleman. I ask you, sir, whether or not it is in order. We are not discussing the merits or demerits of the amendment, but whether or not it is in order.

Mr. POULIOT: I shall confine myself strictly to the point of order. Since I have no other means of communication I shall have to say a few words to do so.

The CHAIRMAN: Order. I have heard the hon. member for Temiscouata. He maintains that the amendment would not involve additional expenditures. I do not think there is any doubt that it would involve additional expenditures. The effect of it would bring about additional expenditures, because it would bring in a great number of people who are not affected by the bill at the present time. Motions which involve the expenditure of money must first have the approval of His Excellency the Governor General, and be moved by a minister of the crown. I therefore rule that the amendment of the hon. member for Temiscouata is out of order.

Mr. POULIOT: I appeal to the chair from your ruling, and I shall put it in writing in virtue of the rules. When a question of order is decided by a chairman of the committee of the whole the member concerned has the right to appeal to the chair.

The CHAIRMAN: Order. The amendment is out of order. The hon. member says that he appeals, but he must be supported by four other hon. members before I can put the appeal.

Mr. Speaker took the chair and submitted the question to the house in the following terms:

The chairman of the committee of the whole ruled that the amendment moved by the hon. member for Temiscouata is out of order because the effect would be to increase the number of persons entitled to benefit by the bill, and would therefore impose added charges on the people. Such motions can be made only by a minister with the consent of the crown. The motion therefore was ruled out of order.

Whereupon Mr. Pouliot appealed from the ruling of the chairman.

The house divided on the question: Shall the ruling of the chairman be confirmed? And the ruling was confirmed on the following division:

YEAS

Messrs:

Abbott
Ashby
Baker
Beaudoin
Bentley
Bertrand (Laurier)
Bertrand (Prescott)
Black (Cumberland)
Black (Yukon)
Blackmore
Blair
Blanchette
Bonnier
Boucher
Bowerman
Bradette
Bradshaw
Brooks
Bryce
Burton
Campbell
Castleden
Cleaver
Cloutier
Coldwell
Coté (Verdun)
Croll
Cruickshank
Dionne (Beauce)
Douglas
Emmerson
Farquhar
Fleming
Fournier (Hull)
Fournier (Maisonneuve-Rosemont)
Fraser
Fulton
Gauthier (Nipissing)
Gibson (Comox-Alberni)
Gibson (Hamilton West)
Gladstone
Golding
Grant
Green
Hackett
Hansell
Herridge
Hlynka
Isnor
Jean
Johnston
Kidd
Kirk
Knight
Knowles
Kuhl
Lafontaine
Lalonde
Langlois
Lapointe
Laurendeau
Leger
Lennard
Little
Low
McCann
McCulloch (Pictou)
McCullough (Assiniboia)
Macdonald (Halifax)
McGarry
McGregor
McIlraith
MacInnis
McIvor
McKay
Mackenzie
MacLean
McLure
MacNicol
Marier
Martin
Matthews (Kootenay East)
Mayhew
Menary
Mitchell
Mutch
Nicholson
Nixon
Pearkes
Quelch
Raymond (Wright)
Reid
Richard (Gloucester)
Richard (Ottawa East)
Robinson (Simcoe East)
St. Laurent

Senn	Tucker
Shaw	Tustin
Sinclair (Vancouver North)	Viau
Skey	Warren
Stanfield	Webb
Stokes	Weir
Strum, Mrs.	Winters
Tremblay	Wright
	Wylie—113

NAYS

Messrs:

Archibald	Hamel
Argue	LaCroix
Belzile	McCuaig
Dion (Lake St. John-Roberval)	Pinard
Gauthier (Portneuf)	Pouliot—10

And the house having resumed in committee:

Mr. FULTON: Mr. Chairman, while we are discussing clause 1 and as has been the custom on clause 1 of the bills, I should like to bring to the attention of the minister the recommendation of the veterans affairs committee which is contained in its final report to the house, to be found on page 548 of *Votes and Proceedings* of Friday, July 26:

> Your committee has also reported the following recommendations to the house:
>
> 2. That the government give consideration to the introduction of a bill to amend the Veterans Land Act, 1942, to provide that the total cost of all homes over six thousand dollars presently constructed or in actual process of construction under the small holdings scheme be subsidized twenty-three and one-third per cent.

I appreciate that I cannot move that recommendation as an amendment to the present bill because it would involve the expenditure of public funds, but I would point out that this was a recommendation passed by the majority of the committee. It was based on difficulties which the veterans were experiencing in getting homes under the small holdings scheme and paying for homes which had been allotted to them under that scheme. Would the minister tell the committee whether the government has had this recommendation under consideration, and, if so, whether it proposes to introduce an amendment to the act in accordance with the terms of that recommendation?

Mr. MACKENZIE: The recommendation of the committee was most carefully considered, but the government is not prepared to go any farther than already indicated.

Mr. FULTON: If that is the government's position, and since we are debarred as private members from introducing amendments involving the expenditure of public funds, I realize that there is nothing we can do at this time to have such an amendment introduced. But I would like to outline briefly some of the considerations which induced the committee to make that recommendation in the hope that, by placing them on record and bringing them before the committee and to the attention of the government, we may possibly induce the government to give further consideration to this proposal and to take some action on it.

The committee will recall that the question was raised earlier this session as to the procedure being followed in giving veterans title to homes being built under the small holding scheme under the Veterans' Land Act. There were actual cases in which veterans who had been allotted houses and had made their arrangements to take possession and had given up other tenancies were told, when they came to take possession the homes allotted to them that, owing to the fact that the cost was more than $6,000, they would have to undertake to pay all the excess over $6,000 before they would be granted possession. That matter first came to my attention as a result of two cases which existed in Sherbrooke and which were personally investigated and can be verified. It is known that the same situation prevails throughout other parts of the country where building projects of thirty or forty houses in a group have been proceeded with under the small holdings scheme on a cost-plus basis, and I think the government passed a vote of a million dollars to equalize costs across the dominion.

When the director of the Veterans' Land Act was before the committee he admitted that in most cases the houses cost more than $6,000. So this recommendation was drafted and put to the committee suggesting that inasmuch as the government is prepared to subsidize the cost of a home up to $6,000 to the extent of 23⅓ per cent of its value, they should make the same subsidy available with respect also to that portion of the cost over $6,000. The objection raised to that was that the veteran who was getting a $7,000 home would be able to get it for the same price as the veteran who was getting a $6,000 home. But the objection does not apply because, if you make the same proportion of subsidy available, it means that the same proportion of the total cost would be underwritten by the government. Many veterans have already made their plans and are prepared to take up these homes, and if an amendment is not passed embodying the recommendation of the committee they will either be unable to take up the homes or be unable probably to meet the payments imposed on them to get possession.

I submit that the increase in cost which has resulted in the homes costing more than was expected by the veteran is not the

veteran's fault. It is perhaps not quite fair to put all the blame at the door of the government, certainly not at the door of the Veterans' Land Act administration. It is merely one aspect of constantly rising costs, particularly building costs throughout the country. But the government having held out to the veterans the undertaking that they would be able to get these homes at $6,000, it seems to me only fair that the government should make that undertaking good by assuming a fair proportion of the cost of the homes in excess of $6,000.

Mr. MACKENZIE: If my hon. friend will permit an interruption, when I replied to him a moment ago what I meant to convey was that the government did not intend at this session to introduce any amendments along the lines suggested by my hon. friend, but does undertake to give most careful consideration during the recess to the recommendations of the committee.

Mr. FULTON: I am gratified to hear that statement of the minister.

The final point I would make, to bring this thing home to the minister, is that I had a letter to-day which I have not had time to bring to his attention. It is from Montreal and indicates the widespread nature of the difficulties which veterans are encountering, and it was to the effect that this particular veteran had intended to take up a house under the small holdings scheme, but he could not find a contractor anywhere to carry out his plan, cutting it down to the bone as he did, at less than $8,500. The statement he made, which I think reflects the attitude of veterans to this question, is that if the government does not take some steps to meet this difficulty it should in fairness announce publicly that the Veterans' Land Act will be dropped, or at least that the small holdings scheme under the act will be dropped, because so many veterans are encountering such great disappointment that they are coming to the point where they say, "Well, if they are not going to give us the benefit of the act as we understood we could have it they might as well drop the whole thing."

I thank the minister for the assurance he has just given us, but I would urge, certainly on behalf of those of us in the committee who supported this recommendation, if possible not to wait to consider it until the end of the session, but to introduce the thing at the earliest possible moment.

Mr. TUCKER: I am sure the committee would like to have some figures with regard to the small holdings section, because my hon. friend suggested that, unless his suggestion were carried out, the whole act might as well be dropped. To date 4,689—nearly 4,700—small holdings have been established, and 5,493 full-time farms.

Mr. FULTON: How many applications for small holdings have there been?

Mr. TUCKER: These are actual approvals.

Mr. FULTON: But how many applications?

Mr. TUCKER: Applications for qualifications granted have been 19,501.

Mr. FULTON: And 4,700 completed?

Mr. TUCKER: That is, applications for qualifications which have been granted in respect of small holdings. For full-time farms 16,841 qualifications have been granted and 5,493 have been actually approved and roughly settled; and of the 19,501 applications for qualifications under the small holdings scheme, as I have said 4,689 have been actually approved and settled.

Mr. FULTON: Just to clear up that point, I had reference only to the small holdings scheme, and I think these figures bear out my point: 19,000 applications and only 4,700 have gone to fruition now, eighteen months after V-E day and nearly a year after V-J day. I think this figure of a 15,000 backlog speaks for itself in support of the recommendation of the committee.

Mr. TUCKER: To complete the figures, I should state that it has been brought to my attention that, in regard to full-time farming, another 1,894 are pending; that is, are ready to go through; and in regard to small holdings there are another 1,649 pending, bringing the total up to about 6,200. So that, although all those have not been settled that have qualified, over 6,000 have actually been looked after—which I think is worth while.

Mr. FULTON: Worth while, but it leaves 13,000. Has the parliamentary assistant any figures as to the number of those settled in whose cases the total cost exceeded $6,000?

Mr. TUCKER: I am sorry I have not those exact figures, but they can be got and given. In regard to the position of a man who takes land under the Veterans' Land Act, if the cost of the property is $6,000 the down payment, of course, is $600; the contract is $4,000 at 3½ per cent, and that works out at a monthly payment of $20, plus taxes, for a $6,000 proposition. Of course, if the amount runs over $6,000 the amount will increase, but if it reaches $6,500 the total payment is only $25 a month plus taxes, so that is so much better than any other veteran gets under the housing act, and if we were to do even more for

those who are under the small holdings part of the Veterans' Land Act I am sure it would cause criticism.

Mr. PROBE: I feel that I must make at this moment a few observations on the small holdings section of the Veterans' Land Act, and particularly, of course, relating it to the district from which I come and the constituency I represent. According to the figures which the parliamentary assistant gave us a moment ago with respect to the number of veterans who have been established either on small holdings or in full-time farming, we have to date a rough percentage of from 1½ to 2 per cent of the persons who were in the armed forces of Canada who are now settled under one or other of these two full-time farming or small holdings sections of the Veterans' Land Act. To my mind the act in principle is the most laudable way in which the Canadian people can assist to rehabilitate those veterans requiring rehabilitation in the form of full-time agriculture, fishing, or homes.

I should like at this stage to pay a compliment to the Minister of Veterans Affairs with respect to what very small assistance has been given in small holdings in my own city. It is not a left-handed compliment; I want to compliment him sincerely, and then I am going to point out certain deficiencies as well in the programme. We have in my city about twenty-five homes completed under the small holdings section of the Veterans' Land Act, with some fifteen more in prospect. I visited those homes last winter, and I have not the same remarks to make with respect to the contractors who worked on the small holdings housing in Regina that were made in connection with Bennett & White of Calgary by some of the Alberta members.

Mr. FULTON: Bennett & White are building the homes in British Columbia, and their costs are excessive there too.

Mr. PROBE: I believe our costs in Regina were reasonable compared with those of small holdings across Canada generally. The construction was excellent. The officials of the land act were courteous enough to allow me to inspect carefully the dwellings which had already been completed, and I had an opportunity to speak to the veterans who were already living in those homes. Without exception the construction, to my lay eye, was good, and the remarks of the veterans were complimentary to the department. But the sad part in connection with all this is that fewer than forty Regina veterans have had an opportunity to be settled under such an excellent plan.

The Minister of Veterans Affairs has repeatedly stated that he is not interested in housing as such. I maintain that the minister and every other hon. member and every citizen of this country should take an interest in housing as such, and particularly with reference to veterans, because it was the veterans' families who were unable to shuttle into houses as they became vacant during the period of the war. Now that they are trying to reestablish their families, as far as the veterans are concerned the war is not yet over. The minister should reconsider the building programme which has been undertaken under the small holdings legislation of the land act, and he should extend the terms under which veterans can take small properties. Holdings should not necessarily be large lots of half an acre, or one acre or larger in extent. Some provision should be made for those persons who are unable to take advantage of the suburban feature of the small holdings settlement.

I do not wish to speak at great length, but I submit that it is our duty as members of the House of Commons to provide buildings for more than a favoured few who will be able to take the homes that have been built by the Department of Veterans Affairs. When we consider that less than two per cent of the veterans of Canada are at present enjoying the generous benefits of this act; when we consider that the rest of them have not had an opportunity to set up housekeeping on their own behalf in homes at the reasonable prices that obtained before the war; when we think of the gratuities which they have received, which, in terms of money may sound excellent but in terms of rent at $50, $60, $70 or $80 a month for very much limited accommodation is another matter, then I maintain that we have not done our duty adequately as citizens of Canada. Under these circumstances, when we speak of gratitude to those who served us in time of need, it is simply so much eyewash. We must extend the conditions, making them more flexible, so that the veterans need not be grouped in colonies on the outskirts of any city or village or town if it is possible to provide them with alternative homes. The minister must reexamine the wishes of the Canadian people in regard to providing homes for these veterans. We must make it our business to see that they are provided with shelter. We must help them to reestablish their families, which in many cases are breaking up because of lack of accommodation, and we can do this in the same way that we equipped the soldiers with tanks, the airmen with aircraft and the seamen with corvettes and submarines. We did it in

time of war and in time of peace we owe it to our buddies who wore the uniform to do likewise.

Mr. TUCKER: One thing I would say before section 1 carries. It will be noted that this section has reference to the actual set-up of the department, and the amendment proposed will confer administrative authority on the minister, which is really in line with what the committee thought was the proper application of the principle of responsible government. It is needless for me to say that this amendment does not constitute a reflection on the director personally. He is regarded by our committee—and I am sure the minister will agree with me in this regard—as a man of ability, integrity and devotion to duty, for whom the government and the select committee have the highest respect. This is simply designed to affirm the vital principle of responsible government, the responsibility of the executive to parliament.

Mr. MACKENZIE: May I say a word to endorse what the hon. member has said. I know of no public servant in the dominion who has rendered more devoted, sustained and able service to the country than the director.

Mr. KIDD: I think the attention of the minister and of the committee should be brought to the situation of many of our boys in the urban centres. This act makes provision for boys who go out of town one or two or more miles and take up a farm or small holdings. There are boys, however, who have come back to splendid jobs. They have returned from overseas, in many instances with their wives and perhaps one or two children. Some of them have no wish to go outside the city a few miles. They left their families in the city and they would like to have their homes in the city also. Sometimes their parents have given them a piece of land, or they may be able to purchase a lot, and they should be enabled to build right in the city. They have not been able to find homes for themselves. Many of them have had to live in single rooms; many have been living with their parents. This act should be extended so as to include some provision for these young men. If they can find homes in the urban centres they will be near schools, churches and other services of that kind, but if they have to go outside the city you will have to build schools and churches for them. These boys do not want that. If the Minister of Reconstruction were here I would emphasize the importance of this suggestion. These boys should be able to apply for the grant and take the grant and go and build homes for themselves. The Minister of Reconstruction says it cannot be done—I do not say the present minister is of that view—but I claim that it can be done. Like the hon. member for Regina City, I am speaking for young men in an urban area, the Kingston area. Many of these men are to-day employed as skilled mechanics, and all they want is to be allowed to take the grant and get a lot and build. The veteran works eight hours a day, but he has another sixteen hours in the day and he and some of his family and relatives can dig the basement and put up the frame of the house. If the Minister of Reconstruction would grant him a special concession he could go to a housing unit and obtain a keg of nails, a few window sills, two-by-four scantlings, bathtub, electrical fixtures and so on, and in my opinion he would put up a house quite economically. I urge this on behalf of those veterans who are in the urban centres.

Mr. MACKENZIE: With very much of what my hon. friend has said I agree, but there is one basic principle in the Veterans' Land Act which must be considered. It was fundamentally designed for the settlement of farms, and afterwards there developed the small holdings feature which became by far the most popular feature of the act.

Mr. PROBE: Rightly so.

Mr. MACKENZIE: I am sorry I was not privileged to listen to the hon. member for Regina City—that was my loss—for the reason that I had another appointment. May I say, however, that if you admit the principle of urban housing under the Veterans' Land Act, then, in my judgment, though I may be wrong, you destroy the fundamental feature of that act, which is farm settlement. In the second place, you offer to those who come under the terms of the Veterans' Land Act advantages which the ordinary veteran under the other housing schemes does not possess or enjoy. You might, if a veteran, have all the advantages of this conditional subsidy, say one hundred yards outside a city limit, and a veteran inside the city limits under the ordinary terms of the various other housing schemes, which is discrimination as between veterans who have rendered equally distinguished service to the country. That is the problem. My personal opinion is that you should keep the Veterans' Land Act for farm settlement as much as possible.

Mr. MUTCH: There are things in the Veterans' Land Act to which I personally take exception. I went into it fully in the veterans committee, and I do not propose at this time to reiterate the arguments that I used there. But I am concerned about the series of regulations which have grown up as a result of the

bringing together of the various housing schemes in Canada which include the small holdings under the Veterans' Land Act and the other housing schemes administered by the Minister of Reconstruction and Supply. I take some exception to the expressed opinion that the small holdings part of the Veterans' Land Act was primarily conceived as rural settlement on small holdings. I do not deny the fact that when the act was conceived in 1942 that was the basic idea; but I suggest that, as a result of conditions which were no one's fault and over which there was perhaps no possible control, the practice in the first two years has been to make it practically an adjunct to urban housing of veterans. That situation has arisen. The minister and others have said in the committe and here that, if recent methods continue there will be discrimination between veterans, the one within the city limits and the one on the outside. I am aware that there may be, but I suggest to the committee that that discrimination already exists, and I fear it will exist in greater degree if we depart sharply from the practice of offering the advantages of suburban homes to urban workers. If we stop that practice which has existed we shall have discrimination, which, to my mind, is equally bad as the discrimination within cities which the minister fears.

In the committee the director first informed us that the cooperation with reconstruction did not involve any amendment of the act or changes in the regulations. But already by agreement it has come about that the practice of extending small holding advantages to veterans who work in the cities has been curtailed by limiting the construction of houses in groups of more than six. With that I take no serious issue, because I am one of those who have always believed that it was not good practice from the point of view of rehabilitation to construct what I and others have sometimes called "veterans villages".

I conceive the proper measure of the rehabilitation of a veteran to be to permit him to come back to communal life in his community with as little to remind him of his military experience as possible and to set him apart from his neighbour as little as may be humanly possible. To me that is complete rehabilitation. I would remind the committee, the minister and all who have had anything to do with this matter, that the veterans department itself, in its literature, the government and most of us as candidates and members during the last two years have held out this idea to the veteran—I am speaking now of the veterans from the cities—that while it was not practicable or desirable for him to go out into the country and become a full-fledged farmer—in many instances he is not capable of doing that, and in practically no instance does he want to do it—we had something for him. It was this: if he had a modest, steady income and if he was prepared to go outside the corporate limits of the city where he was employed and could meet the other qualifications he would be assisted to establish himself in a home on a better standard than he could maintain as a city dweller, at a lower cost, through lower taxation and various other considerations. We reduced the acreage to half an acre in some of these places. It is all right to say that we did that because there was a desperate need, we had to get the houses close together, and had to get contractors who would deal with these housing blocks, and so forth. All these things are true. I think the reduction to half an acre was a recognition that we had made a commitment to these city veterans. We were not able to go, and I do not think we should go, inside the corporate limits of a city of any size, and have veterans houses compete on the same street with war-time houses which are being built for veterans. I do not think we should do that.

Many of these city veterans delayed making their applications for veterans housing on the advice of members of the house and of the committee, and of people like myself. I have done it. I have said, "You have some time to decide; do not jump at it now. Wait until the pressure is off." That man may now find himself in a position, as a result of these agreements, where he cannot get into the scheme, and therefore, in these circumstances, he may not be able to get a house at all.

I have been told—and I accept it—that by this agreement the Department of Reconstruction and Supply are prepared to consider suitable applications of individuals and even of groups of six, even though the property selected falls within an adjacent municipality with a population in excess of 5,000; that is, if there is suitable land available. I am not very happy about that regulation because I have had some experience and I know the intent behind it. I know what has been done. There are areas in the city from which I come where the municipalities of five, six or seven thousand immediately adjacent to the city limits still have vast open areas. If you insisted on a man going outside that municipality he would be twelve or fifteen miles out. I suggest that this is a situation which requires to be closely watched by the minister and by the administration. I realize it is not a direct reflection on this act, or on the

administrator, except in so far as it is a matter of agreement with the Minister of Munitions and Supply and his officers.

If the result of this legislation is to make it difficult or impossible for a veteran who works in the city, and who normally lived in the city and who has the other qualifications for a home under the Small Holdings Act, to obtain that home, then I say the agreement will constitute a breach of faith with the veteran. I base that suggestion on the literature of the Department of Veterans Affairs. I base it on the information which has been given by the counsellors to veterans returning from overseas to every district of Canada. I base it on information and advice which I as a member and an employee of the Department of National Defence myself gave when I was in the service. I am concerned that this shall not be the case. I am not urging that we should compete within the city limits with wartime housing or any other housing scheme. Under the Veterans' Land Act I understand it is not practicable to house all the veterans of Canada on small holdings on the fringes of cities. I know that perfectly well, but I am concerned that it shall not happen that a veteran, if he works in a city and is going to get a small holding will only get it in the slums or in the bush, where his house will not be conspicuously better than some other chap has had, because that other veteran insisted on getting an urban house and took a wartime housing one.

What I have been saying is not a criticism; it is a warning, an indication of a danger, of something I think perhaps may indicate a trend. It is a frank warning that if what I fear develops, in my opinion it will be a breach of faith, and as such I shall raise as much ructions as I am capable of raising here and hereafter.

Mr. JOHNSTON: The matter of small holdings has now been brought into this discussion. A short time ago I was talking to the minister about this matter and asked when it could be discussed to the best advantage; and at that time he thought perhaps it should be discussed on his estimates. I am just wondering if the minister has his material at hand now. I saw him leave the chamber a few minutes ago; was he able to get his material?

Mr. MACKENZIE: May I suggest to my hon. friend that if we have a difference of opinion about the situation in Calgary, we might defer it until my estimates come up?

[Mr. Mutch.]

Mr. JOHNSTON: I shall be only too pleased to do so. I have my material here, but I would not for the world take advantage of the minister. I want him to be able to produce all his evidence, and then show him where he is wrong.

Mr. BENTLEY: Before we went into committee of the whole late this afternoon, I was making a few remarks in regard to the failure of the veterans committee to recommend that the Veterans' Land Act be amended to permit the formation of cooperative farms. I got pretty well along with my argument before Mr. Speaker caught up to me and said I was out of order, so I had to stop, and I should now like to conclude my remarks. All other hon. members who have risen to-night have started off by saying it is not their purpose to take up the time of the committee. I am going to be honest and admit that I am going to take a few minutes of the time of the committee, regrettable though that may seem.

I was pointing out the attempts which have been made in my province to assist veterans to form cooperative farms on crown land. Before I was called to order, I had pointed out also that in our province we have a number of large farms the owners of which are now prepared to sell; but the $6,000 allowed under the Veterans' Land Act would not permit a veteran to buy one of these farm units, because they are too big and too expensive. If one of them was bought and broken up it would not make economic farm units, but as a whole it is an economic unit that can be farmed in a big way. If veterans were allowed to pool their loans and grants to form a cooperative farm, those who wished to do so, there would be a possibility of these veterans becoming rehabilitated. We have seen amendments moved here and ruled out of order because they had some effect on the financial arrangements, and we are told that is a prerogative of the minister with permission of the crown. I am going to move an amendment that does not involve the expenditure of a single nickel. I hope I have worded it in such a way that neither you, Mr. Chairman, nor the minister nor his parliamentary assistant can find in it any suggestion of recommending a nickel of increased expenditure on behalf of the veterans. This is the motion, which is seconded by the hon. member for Melfort:

> That the Veterans' Land Act be amended to permit qualified veterans to form or join with cooperative farms, without prejudice to their grants and loans.

I do not believe that involves any increased expenditure, and therefore should be in order.

Mr. TUCKER: Just while the chairman is looking over the amendment proposed by the hon. member, I was under the impression that he concurred in the report of this subcommittee which dealt with this matter, which report was also concurred in by the main committee. I was just wondering if that were the case, because if he did concur in it I find it strange that he should move this amendment. Did he concur in the report of that subcommittee?

Mr. BENTLEY: The hon. member for Rosthern is quite right. Whenever I am hungry and somebody offers me a cup of tea and a sandwich, I take it, though I may want a steak. As soon as I have had the cup of tea and sandwich, however, I immediately try to get the steak; and that is what I am now doing. I concurred in all I could get the subcommittee to agree on, and now I want more; I want a full meal for these veterans. I see nothing inconsistent about that, because I am still hungry.

Mr. TUCKER: I should like to read to the committee the recommendation which was concurred in by the hon. member, as to the course of action recommended to this house; and I find it strange now that he should depart from that to which he agreed. After all, if we are not to abide by our agreements in these things I am afraid it is going to be difficult to get along. Here is what the hon. member recommended as to our course of action:

> The committee, while sympathetic to any suggestion which may contribute to the successful rehabilitation of veterans, was unable to find a solution to the administrative problems inherent in Mr. Sturdie's proposal, and concurred in the sub-committee's recommendation that the facilities offered under existing legislation for land settlement on a cooperative basis be further explored, and that the departmental officers continue negotiations with the province in an endeavour to formulate some mutually satisfactory scheme.

In other words, my hon. friend admitted that, while he was sympathetic to the suggestion he is now making, he was unable to find a solution of the administrative problems involved. Surely, if he admitted at the time this report was made that he could not find a solution of the administrative problems involved in what he is now recommending, he would not ask this committee to adopt a motion which he admits cannot be administratively handled at the present time, until further study is given.

Mr. BENTLEY: Oh, yes; I would and I do. I was there when that meeting took place and I concurred in the report. The subcommittee could not find a solution of these administrative problems; I could not convince them that the solution was there, so that I agreed to go as far as the subcommittee was prepared to go. I am now asking this committee of the whole to go this much farther. The parliamentary assistant and myself can continue to reiterate our positions from now until eleven o'clock, if he wishes. I have stated my position and he has stated his. That is where the matter stands. I agreed then, but I want more.

Mr. TUCKER: Well, my hon. friend sort of challenged me to find any fault with his amendment. I do find fault with it, on the ground that an amendment to a bill must amend a certain section of the bill, and must not express a vague principle. On that ground I suggest it is quite out of order.

Mr. MACKENZIE: May I remind the hon. member for Swift Current what is said in the last few lines of the report of the subcommittee, in which he concurred:

> . . . that the facilities offered under existing legislation for land settlement on a cooperativte basis be further explored, and that the departmental officers continue negotiations with the province in an endeavour to formulate some mutually satisfactory scheme.

Is that not better than what he is now suggesting?

Mr. BENTLEY: No.

Mr. MACKENZIE: Oh, yes, it is.

Mr. BENTLEY: Failing to get what I am asking now, I will still accept that; I will still accept sandwiches if I cannot get beefsteak.

The ACTING CHAIRMAN (Mr. Golding): Do you want a ruling on this?

Mr. MACKENZIE: No; I think it is withdrawn.

Mr. BENTLEY: No, Mr. Chairman, it is not withdrawn. I have moved the amendment, and it is up to you to accept it or rule it out of order.

The ACTING CHAIRMAN (Mr. Golding): I think the hon. member will have to redraft it if he wishes it to be in order, or bring in another amendment entirely. I rule the amendment out of order. Shall section 1 carry?

Mr. FULTON: While this controversy has been going on, I have been doing some figuring on the information supplied by the parliamentary assistant. Using the round figures he gave, of 19,000 applications and 4,700 actually approved and constructed, I find that this means that 75 per cent of the applicants have not yet been settled. If I take the

additional 1,600 applications which he said had been approved, but in which construction had not been commenced, that leaves 66 per cent of the applicants in connection with whom no start has been made to have them settled. I point out these figures again as indicating the strongest possible reasons why the minister should pursue this matter with all diligence in order to find some solution.

I should like to say something further, so as to clear up any possible misconception which might result from what the parliamentary assistant has said. He pointed out that veterans under the small holdings scheme were getting more generous treatment than veterans under any other housing scheme could get. The point that is relevant there is that the type of small holding I had reference to was not any small holding project under the act. The type I referred to were those cases where the government was in charge of the building. It made the contracts in most cases on a cost-plus basis, nevertheless it had control over costs; and for various reasons, perhaps beyond the government's control, costs increased. But it was a government housing scheme. Therefore the veteran is in no way responsible for that increase in cost. It might be said that he gets more benefit under it, but I am simply saying that the government scheme cost is more than the government first indicated it would be, and that is the basis of the submission that they should now do something about the matter.

Mr. BROOKS: Although I do not intend to labour the question of small holdings, I should like to say a few words. When the small holdings element was introduced to the bill we never expected it would be as large as it is. My idea of it at first was that it would be for pensioners, in order to give them a little extra land, and something extra to do. It has now become a housing project.

My suggestion, however, was in connection with the administration of the act. I believe there is a bottleneck in many of the districts in connection with the searching of titles and the preparation of different documents. My information is that in certain sections there are one or two lawyers who are trying to do all the work, instead of spreading it over, and giving it to a greater number of lawyers in the smaller districts. I suggest to the minister that the matter be investigated carefully, because I know in the city of Saint John in my own province there are one or two lawyers who are trying to do most of the work for that province. The result is that there are many delays, and transfers of property which perhaps should take two or three days are now taking four or five or six weeks.

[Mr. Fulton.]

Mr. MACKENZIE: I shall look into the suggestion of the hon. member.

Mr. STEPHENSON: Before six o'clock I asked the minister several questions, the first of which had to do with land analysis of farms bought for veterans. Is there any analysis made, under the Veterans' Land Act. I have in mind one instance where a farm was supposed to have been purchased to be sold to veterans, and it was indicated to me that a very good junior farmer had been on the land for four or five years but had to give it up because the soil was not suitable for farming purposes. Yet that land had been bought under the Veterans' Land Act. Is any check made?

Mr. MACKENZIE: I shall take the hon. member's observations into consideration, and if I am fortunate enough to receive the details I shall have the matter looked into at once.

Mr. STEPHENSON: Another point was that it takes a long time to go through the transaction, after the veteran has agreed to purchase the land. In some cases it requires from six to eight months. Possibly local lawyers as suggested by the hon. member for Royal, could be used to speed up the transaction, instead of lawyers in Toronto.

Mr. TUCKER: I would say to the hon. member that in his province of Ontario, where he has not the more advanced system that we have in the west, it sometimes takes a long time to secure title. That is one cause of delay. Of course, when that does happen a veteran may feel aggrieved. Then there are times when there is difficulty to get possession. I assure the hon. member that any complaints along that line have received earnest consideration from the administration in order to eliminate all possible delay.

Mr. STEPHENSON: Then I asked a question about small holdings. I received a return on June 12 to a question in which I had asked how many houses were being built under small holdings in Canada. The answer was that there were about 3,000. Apparently out of that number only about 400 had been completed. It would seem that many of these houses have been under construction for some time, and yet there does not seem to be any great effort made to complete them. Is the reason found in the fact that the prices of the houses are beyond the means of veterans to pay?

In one particular case 100 acres were bought for small holdings, but only four houses have been built. I understand that the remainder

of the 100 acres is not to be used for this purpose. Possibly this indicates that the housing is not of the type the veterans want.

Mr. MACKENZIE: My recollection is that 1,200 have been completed under the Veterans' Land Act, and it is the hope of the department that the entire lot will be completed by the middle of next month.

Mr. STEPHENSON: Does the minister say the entire lot will be completed next month?

Mr. TUCKER: The middle of September.

Mr. STEPHENSON: According to this return, tabled on June 12, only 408 had been occupied.

Mr. MACKENZIE: There has been substantial progress since then in the building of houses. I am told by the officials that 1,200 have now been completed, and they expect 4,700 to be completed by the middle of September.

Mr. STEPHENSON: Will the minister say whether he thinks this programme being carried out is really what the veteran wants, in view of the fact that they are not completing houses already there? In this instance, where 100 acres were bought, with the intention of building ninety houses, I am told that four were started, and that now, after many months, the houses are still there, uncompleted. I understand that the remainder of the land is to be sold and not used for small holdings.

Mr. TUCKER: Where is that?

Mr. STEPHENSON: Two miles outside my town of Port Hope, Ontario. This seems to indicate that the plan is not just what the soldiers want. Is it the government's plan to continue this programme?

Mr. TUCKER: This scheme under the Veterans' Land Act administration, under which there is the actual building of houses, was an emergency measure to try to get something done so as to have houses ready for occupancy. But there was no intention of the Department of Veterans Affairs or the Veterans' Land Act administration to continue to build houses on a scale like that. They have not been completed largely because of a lack of some materials.

For example, just before the dinner recess one hon. member referred to fifty houses in the township of Scarboro, and 100 in the county of Ontario. I am told that those houses were held up for lack of flooring. However, it is realized that it is necessary to have these houses finished and have them occupied. This effort has been made, by agreement with the Department of Reconstruction, and it is expected that they will all be completed by the middle of September. I can tell my hon. friend that there are probably twenty applications for every house available under the scheme.

Mr. MACKENZIE: That is the whole question. Proof of the success of the whole venture is the demand for tremendous expansion and extension of it throughout Canada.

Mr. STEPHENSON: It indicates to me that that is not so, because, if this is the type of house the veteran needs, why would they dispose of the remainder of the 100 acres purchased for that purpose? According to my information, there has been no application by soldiers for these houses being built there at the present time.

Another case I might mention was one where all that was left to be done was the laying of the hardwood flooring. The flooring was already in the house; it was not a case of there being no flooring. It was in the house, but was not laid. I was told the reason was that the hydro-electric authorities would not hook up the power line, which was only a short distance away. The flooring lay there several months, but the work was not completed. I am now informed by the hydro-electric people that they have been willing to make the hook-up since last February. Yet the reason given for the delay in the housing was that the hydro-electric people did not have the material to do it. There is something wrong somewhere.

Mr. BRACKEN: I am sure the committee has listened with interest to the discussion of these matters during the last hour or so. Arising out of that discussion, particularly the comments made by the parliamentary assistant and by the Minister of Veterans Affairs, I have two or three questions to ask.

The measure before us is one providing for certain amendments to the Veterans' Land Act. The primary purpose of the act was the reestablishment of veterans on farms. But a supplementary section provided for the building of homes on small holdings in the neighbourhood of urban centres. The parliamentary assistant has given some statistics with respect to that and the Minister of Veterans Affairs made one comment, about which I should like to ask him. He pointed out that the homes being built on these small holdings under the Veterans' Land Act are provided to those taking them, under more favourable terms than are the houses which are built under some of the other government schemes, and he intimated that the continuance of this programme would mean further discrimination with respect to the assistance rendered to veterans settling

in urban centres and on these small holdings. The question I would ask him is this: How did the government come to get into that position and to bring in one measure which is more favourable to home builders than the others? I presume he has an answer.

The other questions I wish to ask are prompted by the statistics given by the parliamentary assistant. He told us of the number of applicants for farms, the number of applicants for homes on these small holdings, the number of applications that had been approved and the number of veterans who have been settled under both schemes. I gathered from his remarks that the government was discontinuing the policy of making homes available to veterans under this small holdings plan because of what the minister called discrimination. If that is true, since the parliamentary assistant indicated that there were some 19,000 applications and some 4,700 or 4,800 veterans had been settled in homes, I would ask, at what point is the government discontinuing that project?

I have another question. The understanding was that these homes would not cost more than $6,000. The veterans who were assisted in purchasing them understood that they were to cost $6,000 or less, but in actual practice the government finds that many of the houses constructed are costing more than that. How many of these houses will cost $6,000 or less? How many of them will cost $6,000 or more? What is the estimated excess cost of all these houses above the $6,000 originally estimated? I hope I have made my questions clear.

Mr. MACKENZIE: I will answer my hon. friend's question in regard to the Veterans' Land Act and leave some of them to my assistant to answer. Before my hon. friend joined us in our councils here, we had formed a committee which worked hard for eighteen months. On that committee were many practical farmers, some of whom I think my hon. friend knows from Manitoba. After eighteen months' study that committee made some very fine recommendations, the basic feature of which was settlement on farms. At that time, as my hon. friend knows, prices for land were much less than they are to-day. The basic selling price then was $4,800, but we found it necessary about a year afterwards to raise that to $6,000.

Another recommendation which that committee made, which was entirely ancillary, was for small holdings, which was never considered to be a basic feature of the act, but as we went along we found it to be the most popular feature.

[Mr. Bracken.]

Mr. GREEN: Explain what it was for.

Mr. MACKENZIE: The essential principle behind the small holdings plan was that the veteran who had a job in a city or municipality would have a little place outside the city, a home and a patch of land where he could raise vegetables and do gardening after his day's work in the city was done.

Mr. GREEN: He would be partly self-sustaining.

Mr. ROSS (Souris): He could raise poultry and so on.

Mr. MACKENZIE: Absolutely. That was the idea. The committee were agreed about this in 1942, and we thought we were doing a fairly good job, but what happened since then was that this rural settlement feature developed into a housing problem. My hon. friend asked why we gave these special privileges to veterans.

Mr. BRACKEN: I wanted to know why you gave more to one group of settlers than to others.

Mr. MACKENZIE: To be absolutely frank, I think the real answer is that the housing policy of the government in other directions was not developed at that time.

Mr. ROSS (Souris): It is not yet.

Mr. MACKENZIE: It is coming along and, I hope, will be successful. But the basic idea of all the members of the committee of 1942 was to combine a rural environment with employment for the veteran in the nearby city or municipality. That was done because the other housing features were not then developed, except Wartime Housing Limited. But now we have the three features, Wartime Housing, the Central Mortgage and Housing Corporation, and the Veterans' Land Act housing all incorporated in one housing scheme. That is the explanation and the answer to my hon. friend's question.

Mr. BRACKEN: Would the minister or the parliamentary assistant answer my other question with respect to houses under the small holdings scheme?

Mr. TUCKER: Just along the lines of what the leader of the opposition has said, the preamble of the act states.

And whereas part-time farming coupled with other employment is an increasingly important aspect of rural and semi-rural life in Canada; . . . it is the purpose of the dominion government to provide a measure of financial assistance to veterans on their performance of prescribed settlement conditions in order to promote their

engaging in agricultural pursuits either as a full-time occupation or as a part-time occupation coupled with some other employment.

That was the preamble to the act. But what happened was that there was such pressure to get houses that some veterans argued: We do not need two acres or three acres; cut down the amount because we do not need all this land. They kept pressing and pressing, and our department, being inclined to be a little too kind-hearted, finally let the amount be cut down to half an acre. The original basis was $2,320 with respect to a full-time farm and up to $1,400 with respect to the small holding to give the veteran an equity in his land as a farmer. But when that was turned into an urban housing scheme the reason for giving the grant was gone. Right away, if you permit it to be expanded into an urban housing scheme, you are going to have the act distorted from the original intention of parliament. So there had to be a courageous facing up to the situation. I will say this, that the parliamentary committee drew forcibly to the government's attention that we were departing from the original intention of this act, and many hon. members suggested that we had better get back to the original intention of leaving urban housing to be dealt with in some other act. That is true.

With regard to the other matter mentioned by the leader of the opposition, I would not want him to think there is any intention of running away from the original intention of this act. Where there is a genuine application for a small holding, there would be no hesitation in authorizing it. The only thing which is being discontinued is the building of houses ahead of time in large blocks for veterans to go into them.

It has been mentioned by the hon. member for Kingston City that if a man were given the chance to build his own house he could make a better job of it. For a house costing up to about $2,500, if a man indicates that he is going to put up a reasonably good structure he is permitted to go ahead and build his own house; if it is over that amount, in order to protect the investment of the veteran and the department, he is supposed to present a contract with some carpenter who may be regarded as likely to put up a reasonably good structure.

In regard to the costs of the houses, as probably is known to the leader of the opposition, at the time this million dollar write-off was authorized a committee was set up, consisting of the deputy minister and the director, to examine each project carefully and make the appropriate write-down to bring the houses into line with what would be a fair cost in the particular community, writing off any unusual costs. To give here all the figures he has asked for in regard to all these houses would be a tremendous job, but they are available and if he would like to have them we will give him charts covering all of them.

Mr. BRACKEN: I did not expect an answer to this question to-night, but I thought it could be given some time before the bill received third reading.

Mr. TUCKER: May I say to the leader of the opposition I hope we shall be fortunate enough to get third reading to-night, and we can give him the information on the estimates. The average cost so far of houses under the small holdings scheme is encouraging—$4,262 for 4,685 small holdings. The information is worked out in an appendix to our veterans affairs proceedings, which will be found by hon. members to be filled with information, starting at page 787. As I say, it contains a tremendous amount of information regarding the monthly rental costs and so on of different houses under the Veterans' Land Act. I shall not take time to go into it unless it is requested; but I would repeat, in case the leader of the opposition was not here when I mentioned it before, that where a house costs $6,000 there is $600 paid down by the veteran, and his monthly payment after that is only $20.20.

Mr. MacNICOL: For how many years?

Mr. TUCKER: For twenty-five years. The payment is $20.20 plus taxes—which I think most hon. members will admit is less than the average rental one would pay for ordinary housing.

Mr. JOHNSTON: What did the minister say was the average cost of the houses?

Mr. TUCKER: $4,262.

Mr. MACKENZIE: That is to the veteran. It is not the cost of construction.

Mr. JOHNSTON: Is that the average for the five-roomed house or the six-roomed house?

Mr. TUCKER: Taking all these small holdings, that is the net cost to the veteran after the write-off.

Mr. BRACKEN: If the parliamentary assistant will permit me, that is not the question I asked. I asked, what is the cost of the houses, not the cost to the veteran but to the state? How many of them cost less than $6,000 and how many of them cost more? The parliamentary assistant gave a figure of some $4,200, was it?

Mr. TUCKER: It is $4,262.

Mr. BRACKEN: He said that was the cost to the veteran. I want the net cost to the state.

Mr. MACKENZIE: That will vary in every area in Canada. We had considerable trouble in getting contractors to accept contracts, and in some cases we had to make these contracts on a cost-plus fee basis, the ordinary fee being about $180 to $250 per house. In some parts of Canada, on account of peculiar difficulties, of which my hon. friend probably knows, the cost of the houses was very high. In other places, like the first ones built on Lulu island, in British Columbia, they were most remarkably low. Prices depended on such factors as climate, weather, material, labour, and transportation. For instance, in Quebec there was some trouble which is now under investigation, and there may be other factors in addition to climate. That matter may have to go to the courts.

Mr. BRACKEN: That is readily admitted, but those are not the points I was raising. Just in order to make it clear, what I wanted to know—and I recognize that the minister or his assistant perhaps cannot get the information accurately in a hurry, and I am not asking them to go to a lot of trouble to try to find out—

Mr. MACKENZIE: The houses are not yet completed. We cannot tell.

Mr. BRACKEN: If you cannot answer my questions, you cannot. But here are the questions. How many of these houses is it estimated will cost $6,000 or less?

Mr. MACKENZIE: "Estimated?"

Mr. BRACKEN: That is not to the veteran. The veteran may pay a much smaller amount than it costs. You may use this million dollars to write off some of it, and there is this direct grant to him. But what does it cost you? How many of these houses will cost you less than $6,000? How many will cost you more than $6,000? What do you estimate is the average excess cost of the whole project over $6,000 each?

Mr. TUCKER: I would say to the leader of the opposition that on some of the projects it should be possible to get the cost of the houses and the land and the services and provide them on the estimates, because the committee which I have mentioned have been working on the thing and they have the charts and the full returns; and if he would permit, by the time we come to the estimates we shall have more complete information, because there will be more houses finished. But I promise him that we will give him the fullest possible information on the cost of these projects.

Mr. BRACKEN: That will be satisfactory.

Mr. BRADSHAW: I should like to fight the case of these houses in my riding of Perth which are not making very much progress regardless of the shortage of nails, lumber or any other materials. The houses were started a year ago last May, the land having been bought at some $200 an acre. When the houses were partly erected they were left over the winter, and the cellars filled with water and dirt. The whole matter is related to the problem of sewage disposal. The land was bought outside the city of Stratford; negotiations are going on with the city to provide for the sewage disposal, and there is also the question of educational facilities, since they are about a mile and a half from the centre of the town. These houses are going to cost the veterans very dear. While I am on my feet, I should like to urge that the government expedite the business of settling sales of land to the veterans. We have a case in our township of a veteran who bought land; it was appraised, and I take exception to the statement of the parliamentary assistant that the deeds of title were hard to search. Everything was completed. The veteran has sowed his crop and the owner has not yet received any money for his farm. I would urge some expedition in this matter.

Mr. TUCKER: I should be glad if the hon. gentleman would give us the actual facts of the case. We are anxious to check up whether there has been any improper delay.

Mr. LENNARD: That is another case of one lawyer in the city of Toronto trying to do all the work. He is making all the transfers of property for the province of Ontario.

Mr. JOHNSTON: With regard to eaves troughs, is it the practice when they are available to put them on houses that are occupied rather than on those that are at present under construction and not yet occupied?

Mr. TUCKER: It would depend on the contractor's idea of what was proper, because he is supposed to build according to specifications, and of course we do not take the houses over and clear them until everything is in accordance with the specifications. What the hon. member is asking about, I presume, is something that happens before the contractors turn the houses over to the department.

Mr. JOHNSTON: I will tell the parliamentary assistant exactly what I have reference to. I am still referring to Calgary houses, though I am not going to debate that ques-

tion. It has been brought to my attention, however, that houses which have been occupied now for some six or seven months have no eaves troughs on them, while right across the street there are houses at present under construction, no one living in them, and no one likely to live in them for two or three months, that are being equipped with eaves troughs. The houses that the veterans are living in, not yet taken over by the government, are not so equipped, and these men are going ahead with landscaping which is being spoiled by the water that is coming down. What I should like to know is this. Where there are houses that are being occupied, which have no eaves troughs, and where these eaves troughs are available, will steps be taken to see that they are put on those houses rather than on houses right across the street which are not yet occupied and will not be for two or three months?

Mr. MACKENZIE: Is my hon. friend commencing to debate the question of houses in Calgary?

Mr. JOHNSTON: No, I am not.

Mr. MACKENZIE: Because I am ready for him.

Mr. JOHNSTON: If you have your material I am ready too.

Mr. GREEN: Not to-night.

Mr. CHURCH: I have read the survey that was made of the soldiers overseas for the purpose of ascertaining what they desired to do on returning to Canada, and I am not surprised at the attitude of many of them. I have seen some of the results of the operation of land settlement after the last war; and I do not think this amendment, repealing section 3 of the act of 1942 and appointing a large staff consisting of a director and others, will meet the requirements. I do not believe that you will get many soldiers to sign agreements under these provisions. Many of the returned soldiers would like to take up market gardening on the outskirts of cities like Toronto and Hamilton, but too many restrictions are imposed upon them. I appreciate the principle of the bill, but I suggest that the minister and the Department of Veterans Affairs should be given the power to deal with these men. Many of the men want to take their gratuities and go in for market gardening. For the purpose they would like to buy a truck or a jeep, but they cannot do so and yet the very things that these men require are being thrown on the scrap heap. When the veterans want jeeps or trucks they are told to go to a dealer and see someone in Montreal in control of real estate. I have been communicating with one of those gentlemen for some time, as to soldiers getting into their homes, but I find that he is on holidays. When the veteran has to go to a dealer to buy a plough or a truck or a jeep he is charged three or four times more. Is it any wonder that these men are not going on the land?

The principle of settling men on the land started after the Fenian raid and it was again carried out after the South-African war. For a radius of sixty miles around our city veterans of the last war went in for dairy farming; they went into the live stock industry; they took up market gardening; and a system of roads, electrical railways, suburban railways, buses and so on was built up. One would naturally expect that with the return of these men's sons from overseas a great many of them would want to engage in these occupations, but I doubt whether you will get anyone to carry out the laborious provisions of section 2 of the new bill. The men are tied down to too many conditions. It would have been better for the act to leave the making of rules and regulations to the minister, instead of their being set out in the act. I do not believe that any soldier would care to sign the contract. The men were complaining. The minister has attempted to make rules and regulations from time to time. If the rules and regulations were improved they would be better than sections 2, 3 and 4.

Mr. JOHNSTON: Would the minister answer my questions?

Mr. TUCKER: Obviously we would have to get the answer from Calgary. We shall get the answer for him, and we shall be able to take it up on the estimates at the same time as we deal with the other matters if he is satisfied to leave it at that.

Mr. GREEN: It would be helpful if the Minister of Veterans Affairs would make a statement as to the present policy with regard to establishing veterans on small holdings. This evening he gave us the history of what has happened. Either he or his parliamentary assistant has intimated that a change of policy was made within the last few weeks. In the course of a speech on housing on July 22, the Minister of Reconstruction and Supply explained his idea of the small holdings policy. I should like to have confirmation of that policy from the minister to-night. Apparently the two departments are concerned. There must be approval by both the Minister of Veterans Affairs and the Minister of Reconstruction and Supply. The remarks of the latter will be found at pages 3681 and 3682 of *Hansard*. I understood him to say that from now on small holdings will be established

only within the boundaries of centres of 5,000 people or less, with this restriction, that if such centre is on the fringe of a metropolitan centre of 15,000, then there would be no small holdings even in that town of under 5,000. He did say that there were certain exceptions; that where there was a city of more than 5,000 isolated in an agricultural area they might establish small holdings in that city. There were also certain other exceptions with regard to the fringe areas of a metropolitan centre. But he also said this—this is where some confusion comes into the picture.

> We are very anxious to see the small holdings provision implemented to the full, provided it is implemented in the manner contemplated by parliament when the legislation was passed. My colleague and I have arrested a trend towards the small holdings section becoming a vehicle for financing veterans' urban housing.

I take it that means that if a veteran has two or three acres, no matter where it may be, he can come under the small holdings provision because originally that was the intention of the act. But in the veterans affairs committee Mr. Murchison told us the other day—unfortunately the proceedings of that day are not yet printed—that there is an arbitrary and definite prohibition established by the two departments against any small holdings going into certain centres. I questioned him about Greater Vancouver which the minister knows well, because we are both from that city, and Mr. Murchison said that there would be no small holdings established in the municipality of Burnaby, no matter whether the man had acreage or not. He said the same thing about North Vancouver and West Vancouver. The minister knows that in these municipalities there is land available for poultry ranches of two or three acres or for small fruits. It is ideal land for a small holding as we intended small holdings to be originally, and yet there is this arbitrary rule that there shall be no small holdings in these areas. I suppose there have been similar arbitrary rules made for other areas. That is contrary to the policy expressed by the Minister of Reconstruction and Supply. I would ask the Minister of Veterans Affairs to tell us now what the plan is at the present time.

Mr. TUCKER: I shall endeavour to deal at least in part with what the hon. member has said. As I understand it, there are to be no small holdings inside urban municipalities having a population in excess of 5,000 without its being cleared by the committee on which the director of the Veterans' Land Act sits. In other words, it is a matter of clearing it and having coordination of the plans. I do not think there is any suggestion that this committee is to overrule the act or to take an arbitrary attitude. I think that is correct. If a place is obviously fitted for carrying out the terms of the act I do not think the committee will overrule the plain intention of parliament. That is the first thing.

In regard to corporations where there are larger corporate limits, the idea is that single unit holdings will be set up outside larger corporations the same as heretofore without the director of the Veterans' Land Act having to clear it with any coordinating committee, if they are outside, on the fringe areas, and they are single holdings or even holdings up to six in number. As I understand it, it is a matter which the committee is going to try to coordinate. As I understand the attitude in regard to part of the area about which my hon. friend has spoken, it was felt that it would be an unwise move to divide up land, which may be needed badly for urban housing, into half-acre or one-acre plots.

Mr. GREEN: The minister knows that the land is there. I am sure he will agree with me that there is acreage available, and yet there is this prohibition.

Mr. TUCKER: It may be that national housing or the coordinated housing administration may intend to develop that particular area as a part of its development scheme. The only idea of this thing is to coordinate the two, so that we shall not work at cross-purposes. If it is clearly within the terms of the act and it is not intended to use that particular area, then I think I may say that the act will be carried out. I think that is correct.

Mr. McMASTER: I was astounded to find out that any other body of people in the government had anything to do with the Veterans' Land Act. As I recall it, the first time that I knew about it, it was put out in the form of glowing terms. It told what was to take place. The veteran who obtained this piece of land of several acres near a municipality would be able to carry on his occupation and do some farming, and eventually would be able to live off the money which he made off this suburban acre and a half. That has been entirely changed. I raised the question in the first instance when I spoke in the house. I said that certain members of the armed forces would be able to obtain $2,300 of gratuity and that other equally deserving people would not be able to get it simply because certain members of the returned forces would get a parcel of land near the city, probably an acre and a half, and conform to the regulations. Apparently

that has been changed. First of all, it was changed so that they could take half an acre, which would not be hard to get near a city. Is that to be the policy in the future? Are they to be prevented from building under the Veterans' Land Act on less than half an acre near a large city or not? If so, will they be given the $2,300?

Mr. MACKENZIE: May I just supplement the reply given by my parliamentary assistant to the hon. member for Vancouver South. Under the coordinated housing policy which has been recently established, the director has been asked practically to double his policy in regard to small holding units. I believe he has been asked for about four thousand units during the coming year. I think this will satisfy my hon. friend that the policy is not being ignored or neglected or abandoned. It is part of an integrated policy as between the Department of Reconstruction and Supply and our own department, without any interference except by way of consultation.

Mr. GREEN: Then there will not be a prohibition against municipalities such as Burnaby or West Vancouver or North Vancouver?

Mr. MACKENZIE: There will be no prohibition within the municipality with a population of five thousand, as explained by the parliamentary assistant. I do not see why we should not develop a policy for places like West Vancouver and North Vancouver according to the ideas advanced by my hon. friend. I see no reason for a prohibition; I think we can develop a policy to meet his suggestions.

Mr. GREEN: Would the minister say Burnaby also?

Mr. MACKENZIE: Yes.

Mr. ROSS (Souris): Based on the answer given to the hon. member for Vancouver South, I wish to ask a question which I have raised in the veterans committee on previous occasions. I realize that the director is an efficient gentleman; but I have pointed out before, as the minister has suggested to-night, that this small holdings policy does get us away from the original intent of the act. If that be so, and since we are having great difficulty in getting qualified applicants settled for full-time farming, I have asked in the committee and I am going to ask the minister now if he will not consider dividing the administration within his department, making one offical responsible for full-time farm settlement and one responsible for the small holdings. He has stated that the policy in connection with small holdings is to be doubled, after making the statement that this policy was getting us away from the original intent of the act. I have heard the director himself say that this matter of house building has been so discouraging that at times he felt like throwing up his hands, and I can quite sympathize with him. The policy in connection with small holdings is now to be doubled, though the department still has many adjustments to make. This afternoon the minister referred to an article concerning the situation in greater Victoria with relation to one unit costing the applicant some $7,600—

Mr. MACKENZIE: I am sorry to interrupt my hon. friend, but that is entirely erroneous. The actual cost to the veteran was $4,260, as my parliamentary assistant said. I believe the headline stated that this house would cost the veteran $7,364, but that is not the case.

Mr. ROSS (Souris): That was what the article said, but I might refer to a case about which I know a great deal, that of Charleswood in Manitoba, involving some ninety units, where I believe no adjustments have as yet been completed.

Mr. MACKENZIE: It will be done.

Mr. ROSS (Souris): I know it will be done and they are working on it; I am not blaming anybody for the delay, but I say this is an example of what has to be done. These four-room units have cost over $5,900 and the five-room units approximately $7,000, and now adjustments have to be made. I am just pointing out the tremendous amount of work that has to be done, even in making these adjustments. The settlers living in these ninety units are disgruntled because they still do not know what arrangements they must make to purchase their homes. I am just pointing out that with this double policy in connection with small holdings, the minister should consider making one official absolutely responsible for full-time farming and another responsible for the small holdings.

Mr. MACKENZIE: I do not like to keep on interrupting, but we had our greatest trouble in the constituency of the hon. member for Yale, in Kelowna and Vernon. However, I am glad to say all those matters have been adjusted and I received letters of thanks and appreciation only yesterday. They are all satisfied.

Mr. ROSS (Souris): Then I have another point; perhaps the parliamentary assistant can answer this, because he referred to the question of titles in the west. Once the board has accepted an appraisal on land they consider suitable for farming, if the vendor has a clear title how long should it take to complete

the arrangements and issue the cheque to the seller? I have had some complaints in that connection.

Mr. MACKENZIE: Thirty days, I am told.

Mr. ROSS (Souris): From the date of acknowledgment?

Mr. MACKENZIE: Yes.

Section agreed to.

Sections 2 and 3 agreed to.

On section 4.

Mr. BLACK (Yukon): I should like to say a word on this section. We have often heard it said that this act is primarily intended to assist veterans to establish or reestablish themselves in farming, to encourage them to farm or to resume their occupation if they were farming before going into the armed forces. In the areas of Canada suitable for farming, undoutedly this act will be of great assistance to veterans of that class. The director may acquire land and buildings, and may sell or agree to sell them to the veterans. He may even acquire land from the provinces or from the Minister of Mines and Resources; but representing Yukon here in this parliament I am chiefly concerned with the assistance required by veterans in that part of Canada. We have veterans in Yukon with records as good as those of veterans in any other part of Canada; and their services in the war warrant them in asking and receiving assistance in reestablishment.

It is not practical to farm in Yukon on any extensive scale. They can produce farm products; they can keep dairy herds and so on. It is not a matter of the climate or the soil; it is the lack of any market. The market is too small to make farming worth while. Yukon depends entirely upon mining for its population. Successful mining means the success of that territory; unsuccessful mining means that the people move out. For the most part, the veterans in Yukon are miners returning to the mining territory to establish homes for themselves and their dependents. Those who are charged with the duty of administering this act seem to be doubtful whether under it assistance is possible for these veterans. First, in regard to the provision under which land may be acquired from the Minister of Mines and Resources, it has been established that the minister has no land in Yukon suitable to be taken up under this act; it has been all disposed of. I know the matter has received careful consideration by the minister and his staff. Apparently the physical and geographical conditions concerning Yukon have brought them to the opinion that this act cannot be applied to veterans there, but I think a careful reading of the act will show quite plainly that it is applicable and can be applied. How much broader could any statute be than the wording of section 7 of this act, which states:

> The director may, for the purposes of this act,
>
> (a) purchase by agreement, at prices which to him shall seem reasonable, or
>
> (b) in any other manner acquire by consent or agreement from His Majesty in the right of Canada or from any province or municipal authority, or from any person, firm or corporation, such lands and buildings situate in any part of Canada and such other property including building materials, live stock, farm equipment and commercial fishing equipment as the director may deem necessary.

I am sure the officials administering the act, and also the minister, know that Yukon is part of Canada. Of course people who have not been west of Toronto do not realize that British Columbia, even, is in Canada. But here is this wide section 7 which refers to lands and buildings situate in any part of Canada. And they are purchased from whom? It is not from the province, not from the territory, not from the Minister of Mines and Resources, but "from any person, firm or corporation". Any individual owning property there may sell it to the director, under the terms of section 7 of the act.

But to remove any doubt as to the application of the act to Yukon, and the settlements in Yukon, I wish to move an amendment, the effect of which will not be to broaden the scope of the act or to entail public expenditure beyond that now contemplated and authorized by the act, but which will apply explicitly to Yukon as part of Canada, and extend these benefits to Yukon veterans, giving them the assistance to which they are entitled.

I believe this is the appropriate time for this procedure, and I therefore move:

> That there be added to section 35 the following:
>
> "The director with the approval of the minister may acquire, convey, transfer, agree to acquire, convey, transfer land in Yukon territory including land within Dawson, Whitehorse and Mayo and subject to the provisions of this act and regulations made under this act may grant to veterans residing in Yukon amounts not exceeding the amount stated in subsection 3 of section 35 of this act, such grants to be used only for the purposes enumerated in subsection 4 of section 35 of this act."

I think that will set at rest any doubts which the administrators of the act, and perhaps the minister, may have.

Mr. MACKENZIE: May I thank the hon. member for Yukon for his customary courteous presentation of his argument. He was kind enough to send me notice of his amendment

late this afternoon. It is quite true that the department has been giving extensive study to the situation in Yukon. I think, however, it is only fair to the administration that my colleagues should have an opportunity for further study of the situation. I promise the hon. member that if he will be kind enough not to press the amendment to-night we will go most carefully into the situation which he has so clearly and, to my mind, convincingly presented. It does mean, though, a departure in principle from the Veterans' Land Act. It means that the grant of $2,320 is made available for urban housing in Yukon where, as my hon. friend and I know, there are not extensive tracts of land available for settlement.

I wonder if the hon. member, after having presented his case clearly and convincingly, would be good enough not to press the amendment, with my assurance that I shall be glad to consult with my colleagues as to what can be done to meet the suggestion he has made.

Mr. BLACK (Yukon): Does the minister mean that the amendment will not be completed to-night, that it will be allowed to stand until to-morrow or later in the session?

Mr. MACKENZIE: If the house is so minded, we had hoped to get third reading of the bill to-night. I would give my hon. friend and his constituents through him the assurance that the suggestion he has made to-night will be given most careful consideration during the recess.

Mr. BLACK (Yukon): Under the circumstances I hesitate to press the amendment. To my mind, section 7 is broad enough, in that it gives the director the right to purchase land from any person, firm or corporation—and not only the land, but the land and buildings situate in any part of Canada.

Mr. MACKENZIE: I have not had an opportunity of consulting with my colleagues in regard to the matter. I would urge that the amendment be not now pressed, and I give the assurance that it will be carefully considered.

Mr. GREEN: Could the situation be met by regulation, under the act?

Mr. MACKENZIE: It might be; that is something to look into.

Amendment withdrawn.

Section agreed to.

Bill reported, read the third time and passed.

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

Friday, August 2, 1946

The house met at eleven o'clock.

EXTERNAL AFFAIRS

CONCURRENCE IN SECOND REPORT

Mr. J. A. BRADETTE (Cochrane) moved that the second report of the standing committee on external affairs, presented to the house on July 31, be concurred in.

Mr. D. M. FLEMING (Eglinton): The concurrence of the house in this report, I take it, will carry with it the adoption of the estimates in full of the Department of External Affairs?

Mr. BRADETTE: No.

Mr. FLEMING: Because there was a recommendation in that report for approval of those estimates. If that is not so I think there should be a clear understanding in the matter, because it was the feeling of members of the external affairs committee that there should be an opportunity for general discussion of the items and general discussion of policy in reference to external affairs when the estimates of that department should come before the house.

Mr. MACKENZIE: That is quite right.

Mr. FLEMING: Is it the assurance of the government—

Mr. MACKENZIE: Yes; definitely yes.

Mr. FLEMING: —that the estimates are not adopted?

Mr. MacINNIS: No. It is part of the report. Read the report.

Mr. ABBOTT: Read *Hansard.*

Motion agreed to.

PRICES AND TRADE BOARD

HANDLING OF RATION COUPONS BY BANKS—BANQUE PROVINCIALE DU CANADA

On the orders of the day:

Mr. J. G. DIEFENBAKER (Lake Centre): Mr. Speaker, is the parliamentary assistant to the Minister of Finance now in a position to give an answer to a question I asked about the continuance of the right of the Banque Provinciale du Canada to handle ration coupons? Also I should like to know whether the Acting Minister of Finance is in a position to indicate what prosecutions, if any, have so far been instituted as a result of the ration coupon racket which was revealed, and whether prosecutions are contemplated under the criminal code.

Mr. R. W. MAYHEW (Parliamentary Assistant to the Minister of Finance): The answer to my hon. friend's question is no, because the bank has not yet provided satisfactory assurance that the coupon ration system will be operated in accordance with the board's regulations. So far as prosecutions are concerned, I am afraid I shall have to leave that to the Minister of Justice.

Right Hon. L. S. ST. LAURENT (Minister of Justice): The hon. member may be assured that these prosecutions are being dealt with as expeditiously as is compatible with proper care. Instructions have been issued for the prosecutions of twenty-seven persons in three groups, and of six in another group; and I have been trying by long distance telephone to find out what is the state of the proceedings. There have been some pleas of guilty, and some pleas of not guilty with remands for trials fixed at different dates. The matter is being handled by competent counsel who are giving it diligent attention with the idea of bringing it to results as quickly as possible. Certain investigations are still proceeding, one clue leading to another, and though there are others against whom sufficient information might be available to justify the institution of proceedings, on the advice of the investigators proceedings against them are being delayed until the other clues are followed up to see if further evidence will not be developed which will implicate additional persons.

Mr. COLDWELL: May I ask a supplementary question? Does not the right hon. gentleman think that when banks are given permission to act in this capacity it should be seen to that the employees receive sufficient remuneration to remove them from temptation?

Mr. ST. LAURENT: Though the banks are chartered by the dominion parliament, the administration of their affairs is under the control of their respective boards of directors, and it would be difficult for any department of the federal government to undertake to see that all those employed by organizations which derive their charter powers from parliament are properly remunerated.

Mr. COLDWELL: I did not quite mean that. I meant that before they are given the right to do this the government should be sure that the people who will handle it are not just subject to temptation. That was the point.

Mr. ST. LAURENT: Even Adam and Eve in their terrestrial paradise were subject to temptation.

[Mr. Diefenbaker.]

PRIVILEGE

MR. GRANT—REFERENCE TO REMARKS IN DEBATE ON AUGUST 1

On the orders of the day:

Mr. T. V. GRANT (Kings, P.E.I.): Mr. Speaker, I rise to a question of privilege. The day before yesterday, while the hon. member for Lake Centre (Mr. Diefenbaker) was speaking, he was making light of the explanation which had just been made by the parliamentary assistant to the Minister of Finance to the effect that we had arranged to trade machinery with the United States—

Some hon. MEMBERS: Order.

Mr. GRANT: —and at that point—

Mr. SPEAKER: Order. I would ask the hon. member to be good enough to state the question of privilege.

Mr. GRANT: I am coming to it now.

Mr. SPEAKER: I would ask the hon. member to be as brief as possible.

Mr. GRANT: I interjected, "No truck or trade with the Yankees". Everyone in the chamber heard my remarks, and the reporter looked over at me—

Some hon. MEMBERS: Shame.

Mr. GRANT:—while the member for Lake Centre blushed to the ears. But my interjection did not appear in *Hansard* of that date. It should have appeared at page 4121 of July 31.

Mr. DIEFENBAKER: Mr. Speaker, I rise only to say this. I have no objection to my hon. friend getting a place in *Hansard,* but when he says that I spoke lightly of trade, that statement is incorrect.

Mr. MACKENZIE: He said you blushed.

Mr. DIEFENBAKER: Mr. Speaker—

Some hon. MEMBERS: Order.

Mr. DIEFENBAKER: On a question of privilege, if there is any suggestion that I had anything to do with removing it from *Hansard*—is there any such suggestion?

Mr. GRANT: I will reply when you are through.

Mr. DIEFENBAKER: If there is any suggestion that I had anything to do with removing it, I want that suggestion withdrawn, because I never noticed it in *Hansard,* and apparently the reporter has no better ears than I have, because I did not hear it either.

Mr. GRANT: I am not insinuating that my hon. friend used the blue pencil, but—

Mr. SPEAKER: Order. The hon. member knows very well that I cannot permit a debate on a question of privilege.

Mr. GRANT: You should not have allowed him to debate it.

WAYS AND MEANS

The house in committee of ways and means, Mr. Macdonald (Brantford City) in the chair.

INCOME WAR TAX ACT

31. That the deductions from tax allowed to a corporation whose principal business is the production, refining or marketing of petroleum or petroleum products in respect of drilling and exploration costs be extended to oil wells spudded in during the year 1947 and the deepening of oil wells which is commenced in 1947 but that in respect of such wells the deductions be reduced from 26⅔ per cent and 40 per cent of the cost to 20 per cent and 30 per cent respectively.

Mr. HARKNESS: The last time this matter was under discussion the minister intimated that he would make a statement in connection with the oil industry.

Hon. DOUGLAS ABBOTT (Acting Minister of Finance): I thought I had made my usual brief preliminary statement, and I was under the impression that the hon. member was going to make a few observations on these sections. However, I am prepared to repeat what I stated. These five resolutions, 31, 32, 33, 34 and 35, in effect continue the tax credits granted petroleum, natural gas and mining industries in respect of exploration expenditures for another year with proper adjustment for reduction of the flat rate tax on corporation income from 40 to 30 per cent. Also, under 31, the existing tax credit granted for expenditures incurred in any new oil well is extended to include expenditures incurred in deepening an existing well.

Mr. HARKNESS: Just before we adjourned the other night I had drawn to the minister's attention some five suggestions which I had made earlier in the speech on the budget in regard to changes in the tax structure which would aid the oil industry, and I understood that the minister would make some comment thereon.

Mr. ABBOTT: I apologize to my hon. friend. He is quite right; I had intended to give some consideration to the five suggestions he made. I understood the first to relate to the deepening of existing wells. That is being taken care of under the ordinary tax concession and not under the special 50 per cent arrangement. He asked in the second place that the tax concessions be extended to the drilling of shallow wells. That cannot be done. Third he asked that the 33⅓ per cent be increased to 50 per cent, and there again we felt the request could not be granted. Fourth he asked that tax credits be made permanent. Here once more it is felt that we cannot accede. It must be made on the annual basis. The fifth suggestion related to the removal of the subsidy on imported oil. As my hon. friend will appreciate, that is not a tax matter. I shall be glad to discuss it when we reach the estimates of the wartime prices and trade board, where these subsidy items are provided for.

Mr. HARKNESS: In connection with the request for extension of the fifty per cent tax drawback to completing wells, will the minister say whether the resolution means that the drawback will now apply to abandoned exploratory wells on which redrilling is started?

Mr. ABBOTT: I am advised that the twenty per cent tax credit does, but not the fifty per cent.

Mr. HARKNESS: Can the minister give any reason why this fifty per cent tax drawback will not apply to abandoned exploratory wells which people may now be willing to drill down to the oil-bearing strata? At the present time a considerable number of wells have been drilled in the foothills to considerable depths, but owing to the company's running out of money, or for other reasons, the wells were abandoned before they actually struck the oil-bearing lime. If this fifty per cent drawback were made available for these wells a considerable number of them would be completed.

Mr. MACDONNELL (Muskoka-Ontario): Before the minister answers may I ask what is in one sense a supplementary question and in another a broader question? In dealing with this question is it the policy of the government to consider it from the point of view of maximum development of the industry? Is that the government's aim? If it is, I would hesitate to argue that any exemption be made permanent; nevertheless in making it merely annual it would seem to me to work against what one would expect to be the full encouragement of the industry. I am not as familiar with this matter as the hon. member for Calgary East, but I should be enlightened if the minister would tell us in much broader terms what is the principle on which the government is acting.

Mr. ABBOTT: As my hon. friend is probably aware, this has been discussed at considerable length to my knowledge in at least three sessions of parliament. I have done a good deal of discussing of it myself. It is incentive legislation. It was introduced first during the war in order to encourage the production of oil in Canada. I must say that the concessions are appreciable, particularly the fifty per cent one which we are now discussing. It was felt that it should be granted on a year to year basis. In other words, a year in advance a prospective oil driller knows that if during the year he drills a certain type of well, conducts a certain type of exploration operations, he will be allowed a certain tax concession.

Answering my hon. friend's question as to what good reason there is for not making this apply to a well which has been abandoned and then started up again, may I say that subsection 10 of section 8, under which this concession is provided, sets out the conditions. In the first place the enterprise must be one which is approved by the governor in council. The concession is granted only if in the opinion of the governor in council—and I quote from the section:

(a) Drilling the oil well is desirable in order to extend the petroluem resources of Canada; and

(b) The taxpayer could not reasonably be expected to drill the oil well unless permitted to deduct at least fifty per centum of the expenditures in connection therewith from tax.

What that means, of course, is that if the well is successful, half the cost is paid by the people of Canada, and that is a substantial concession. The government felt that, offered once, it should not be extended to renewing operations in the same well. I should correct my statement and say that if the well is successful the taxpayer does bear the cost, but if it is a loss the taxpayers of Canada do bear half the cost of the drilling expenses.

Mr. HARKNESS: In my opinion the reasons which the minister has just read are the very ones which should cause this tax concession to be extended to abandoned exploratory wells. As he said, the sole idea of the tax concession is to encourage drilling, and if possible to develop new fields. In many instances these abandoned exploratory wells are the very ones which we might expect to bring in new fields. I can see no reason in the world why these wells should be cut off from this concession.

Mr. ABBOTT: Obviously it is a matter on which opinions may differ. The purpose is to encourage the drilling of new wells. The incentive should not be greater than what is believed to be necessary to accomplish that purpose. It is felt that the cost of deepening an existing well is not as great as the cost of starting and drilling one down to a certain depth. These wells must be deep test wells, and not the ordinary shallow well. I speak on this with some diffidence in reply to my hon. friend, because I know he is much more familiar with the practical details of oil mining operations than I am, but he also knows that under the subsection the enterprise is one which must be approved by the Minister of Mines and Resources. These are special cases.

Mr. HARKNESS: So far as the Department of Finance is concerned the chief difficulty is that there is no real understanding of the oil business and what is necessary to encourage an increased oil production. The only way in which you can get people to put money in as risky a business as drilling for oil is to make it reasonably possible that they will get some sort of return. Unless some form of tax concession is made we are going to have the situation continue which prevails in Alberta at the present time, with the majority of the drilling rigs sitting idle and nothing going on. It is time that the Department of Finance realized that the present tax structure is stifling oil exploration.

I was particularly disappointed to hear the minister say that no further tax concessions were in prospect in view of the concessions which were made to the mining industry. The very least that might be done is to increase the depletion allowance from 33⅓ per cent to 50 per cent, which would bring it in line with the depletion allowance allowed in the United States, and would bring it partly in line with the concessions now made to mining enterprises.

So far as the subsidies are concerned, there are one or two other things I should like to say—

Mr. ABBOTT: If my hon. friend will permit me, I pointed out that subsidies do not come under this resolution. Under this resolution we are not granting subsidies. They come under another item in the estimates.

Mr. HARKNESS: While the minister says that the matter of subsidies does not come under this resolution, in effect the subsidy which is paid is a tax, an extraordinarily high tax, on the oil producer in Alberta. That is one of the chief difficulties which the government does not seem to appreciate. If my information is correct it is a tax to the extent of 75 cents a barrel—that is the subsidy which is paid on oil imported into western Canada. Seventy-five cents a barrel subsidy means that the price of the Turner valley oil is held down

to that extent below the price which otherwise the Turner valley producer would get—in other words, the true economic price. This means, of course, that last year the oil producers in Alberta were taxed approximately $7,000,000, by a hidden form of tax, through this subsidy. In previous years the thing was worse—

Mr. ABBOTT: I really do not want to interrupt my hon. friend, but I am not prepared to deal with the question of subsidies to the oil industry to-day. I have not the information with me; I am not in a position to answer my hon. friend now, and I do urge that he raise this matter at the proper time, when I shall be very glad to discuss it. Then I will have the necessary data either to agree with or to differ from him, but I have not the information and am not in a position to discuss it to-day. I have no doubt the statements he is making are correct, but I feel they should be made when I can answer them and give an explanation.

The CHAIRMAN: Since the matter of subsidies comes under a different item I think it should be discussed when that item is reached.

Mr. HARKNESS: While it may come under a different item, the point is that it is actually oil taxation, and it is so closely related to this item that it seemed to me this was the proper time to say something about it. However, that is the situation. It is a form of hidden taxation on the oil industry, and having made the point I shall leave it at that.

As far as section 31 itself is concerned, I wonder if the minister could state in simple words what the thing means, because as I read it, it appears that the oil industry is going to be worse off than before. My understanding having been in touch with the officials of the department, is that the industry is going to be in exactly the same position as in previous years. I should like a little clarification as to exactly what this section means and how it will work out in a specific case.

Mr. ABBOTT: I shall do the best I can, Mr. Chairman. The only change from the law as it exists at present and as it has existed for several years is that the percentage rate is reduced from 26⅔ per cent to 20 per cent and from 40 per cent to 30 per cent; and those changes are merely consequential upon the reduction in the rate of corporation income tax which is being made and which has to be made by reason of the undertaking to the provinces under the tax agreements. I am advised the effect is a one hundred per cent write-off. I do not know whether that is clear to my hon. friend.

Mr. HARKNESS: No; what the minister means by a one hundred per cent write-off is not clear at all. My understanding from what he has said and the information I obtained before is that the oil industry has had no tax relief, that it is in exactly the same position as before the budget was brought down. An ordinary corporation has had a reduction in the corporation tax.

Mr. ABBOTT: It shares in the general tax reduction, along with everybody else.

Mr. HARKNESS: As I read the thing I cannot see how that works out, because the deductions which are allowed from the tax, according to this amendment, have been reduced from 26⅔ per cent to 20 per cent and from 40 per cent to 30 per cent.

Mr. ABBOTT: They are reduced in the same proportion; he gets the same reduction he had before. As expressed in terms of percentages it is lower, but that is because the tax rates are lower; and, as I said a moment ago, this is equivalent to a one hundred per cent write-off. If my hon. friend will take my assurance on that point, I am relying upon the assurance of my officials, who I know are thoroughly familiar with the circumstances. The hon. member might care to study this when we have the bill before us. When he sees the specific terms of the amendment, if he is still in doubt I shall be glad to elaborate what I am saying now, but I do give him the assurance that the position is exactly the same, that the percentage rate of tax reduction is merely consequential upon the reduction in the tax rate, and that the effect is a one hundred per cent write-off.

Mr. HARKNESS: Could I put the thing in this way, then? Take an oil company which paid taxes of $50,000 last year. What tax are they going to pay this year, if their business is the same? What reduction is there, if any?

Mr. ABBOTT: Well, from my hon. friend's hypothetical question I assume that the $50,000 represented 40 per cent of a certain taxable income. This year they will pay 30 per cent of that taxable income. I cannot make the calculation at once, but it is merely an arithmetical problem. They will pay 30 per cent of that same taxable income.

Mr. MACDONNELL (Muskoka-Ontario): I confess I am not quite clear yet as to what the minister meant by saying it was equivalent to a one hundred per cent write-off; and while

I am on my feet I want to ask another question. The minister said plainly and categorically that this was incentive legislation. By that I understand that it is an inducement, that it is to induce people to take certain action, in this case to produce oil. Then I want to ask the minister if he accepts the statement made by the hon. member for Calgary East that the majority of the rigs are idle. If that is so, and the statement was not questioned, does it not make it appear that the incentive is not working, and does not that raise the question whether or not the government do in fact want these rigs to be operating? If they do, should they not consider whether, as I say, in fact the incentive is sufficient?

Mr. ABBOTT: If I have understood my hon. friend's question correctly, he puts it on this basis, that because there are idle rigs the incentive perhaps is not adequate.

Mr. MACDONNELL (Muskoka-Ontario): The statement made by my hon. friend was that a majority of the rigs are idle. I speak in ignorance of the facts.

Mr. ABBOTT: So do I; I do not know whether they are or not.

Mr. MACDONNELL (Muskoka-Ontario): Nevertheless we have here a witness who I submit for this purpose is an expert, whose evidence has not been challenged; and he says—

Mr. ABBOTT: Let us call him an advocate as well as a witness.

Mr. MACDONNELL (Muskoka-Ontario): All right; I will not quarrel with that. At any rate this statement has not been questioned; I accept it, and I imagine the minister accepts it also. If that is correct, and the majority of the rigs are idle, is it not fair to ask the minister whether his incentive is working, whether some explanation is not required to make this clause appear reasonable?

Mr. ABBOTT: All I can say is that the government has no desire to go into the oil business. The rigs may be idle from a variety of causes. I do not know whether my hon. friend's statement is a complete picture or not, but I repeat what I have said previously. This is incentive legislation. These special concessions to the oil industry are matters which have been threshed out, worked out and discussed in this house year after year. There has been no change for the last two or three years. It may be that there should be greater incentive given, I do not know; that is a matter of opinion, but the government has come to the conclusion that this is not the year to do so. My own view is that further incentive is not needed; that is my personal opinion.

Mr. MACDONNELL (Muskoka-Ontario): The reason we are taking up your time this morning is that we hope to convince you that you are wrong, however faint that hope may be. The minister said the government did not want to get into the oil business. I did not understand that remark at all, because it did not seem to me to be relevant to the very strong statement the minister made before, that this was incentive legislation. I still submit the minister has left the question entirely unanswered, because if this is incentive legislation, I understand that to mean the government has decided that it does want oil produced in Alberta.

Mr. ABBOTT: By the other fellow, and not at too great a price.

Mr. MACDONNELL (Muskoka-Ontario): Wait a moment. If I understand incentive legislation it is intended to produce certain results, and again I submit that we have the minister's statement that this legislation is intended to produce results; we have the statement of the hon. member for Calgary East that it is not producing results, so I submit with deference that it is up to the government to reconsider the discussions which have taken place in the last few years, because after all some very important people were not present here during those discussions.

Mr. ABBOTT: That is quite true.

Mr. HARKNESS: I do not think there can be any question that wells are not being drilled to the extent that they might be. True, a certain number are being drilled, but there is no full drilling programme in operation, or a programme anything like there should be. As a matter of fact when I came to Ottawa to attend the sitting of parliament, twenty-eight out of thirty-two large drilling rigs in the Turner valley were sitting idle, and I am informed that condition still prevails. Most people who own probable drilling sites, and a large number who have money enough to go ahead with the drilling of wells, cannot see sufficient possibility of a return, under the present tax structure, and particularly in view of the subsidy which operates as an artificial depression of price to the extent of 75 cents a barrel, to go ahead with drilling.

This morning I was talking to a man who has an intimate knowledge of the oil business. The company with which he is connected has fifteen possible drilling sites. Those sites will at some time be drilled in the Turner valley, but they are not going to drill any of them

until we get rid of the subsidy, or the tax situation is much improved so they can get a reasonable return from the oil for their shareholders. They believe it is much better to leave it in the ground than to take it out at the present time, because by taking it out they would simply be depleting their assets. It will be understood that once oil is taken from the ground, the well is exhausted. Under the present circumstances they are much happier to leave the oil in the ground than to go into production. This is true of most of the oil companies.

Mr, ZAPLITNY: I admit at once that I am no more an oil expert than is the minister, but I must say I am at a loss to understand what the hon. member for Calgary East is advocating. It seems to me he is admitting that no drilling is taking place, even though certain companies have sites, money and drilling equipment, simply because the return they believe they could expect will not be as great as they should like to have it. He also advocates removal of the subsidy and an increase in the price. I cannot see the logic in that, because it seems to me the whole reason for the subsidy has been to keep the price down in the west. We had an example of that earlier this year—

Mr. ABBOTT: Mr. Chairman, I objected to the hon. member for Calgary East discussing subsidies, and I feel I must do the same when the hon. member for Dauphin proceeds to do so.

The CHAIRMAN: I would call the attention of the hon. member for Dauphin to the fact that an arrangement was made under which subsidies would not be discussed at this time. That comes under another item.

Mr. ZAPLITNY: My only reason for bringing it up was that it had already been brought into the discussion. However, if it is the wish of the committee, I shall desist. I would say this, however, that a while ago the minister pointed out that the government did not wish to go into the oil business. If what the hon. member for Calgary East says is true—and I have no reason to doubt it—I am quite sure the government eventually will have to get into the oil business, to produce oil. It is admitted that certain of these companies have sites, money and equipment, but they will not drill for oil unless they are assured of a certain return. That is not private enterprise. Certainly it is not true private enterprise.

Mr. HARKNESS: Apparently the hon. member for Dauphin does not understand the situation at all.

Mr. ZAPLITNY: You explain it, then.

Mr. HARKNESS: I do not believe he or anybody else would put money into an enterprise the resources of which were being exhausted, unless he could see some reasonable return on his capital, let alone to make any profit. That is essentially the situation. Under ordinary circumstances any enterprise is capable of operating at a loss for only a relatively short time before it goes broke. That is what has happened to many of the oil companies. Those which are still in operation and have drilling sites see no reason in the world why they should drill, spend a lot of money, and perhaps not even get a well, unless they have a reasonable return. But if they do get a well, they do not receive sufficient return to recoup themselves for the money they put into it.

Mr. JACKMAN: I believe the hon. member for Calgary East has made a strong case for greater consideration of these companies which endeavour to bring more oil to the surface, so that we shall have a better supply of domestic oil for use in the west. The oil we buy from the United States requires payment of a 75-cent subsidy to get it here. One would conclude, therefore, that the Canadian price is 75 cents below the world or United States price, or the price which is considered necessary to get oil from the well-developed fields just across the border from our western provinces. It would therefore seem clear, even to one without great experience in this field, that the price in Canada is not sufficient to encourage drilling, or to encourage the supply of domestic oil. I should think that, with the government's other measures to protect our supply of United States exchange, it would do everything in its power to bring more Canadian oil to the surface, so that we should not have to buy in the United States, much less pay the 75-cent subsidy above the Canadian price in order to bring the oil here.

Undoubtedly the industry is a particularly hazardous one. I believe the present allowances do not go as far as they might to encourage production. Those allowances should be increased. While I do not wish to mention the subsidy again, yet it is so germane to the subject matter that it must be apparent to all hon. members that our oil producers are in a much more hazardous field than are the producers in the United States field across the border. Yet they do not get the price those producers get. At the same time we are not giving our producers as fair an increase in the depletion allowance as we should, in order to encourage them, especially

when they have to work under a price level substantially lower than that which applies in the United States. Therefore I stand behind the suggestion made by the hon. member for Calgary East, in the hope that the government will give consideration to the fact that our price is so much lower than that of imported oil. If some relief can be given, through increased depletion allowance and tax drawback on the wells which are drilled, as well as the deep test wells, we shall greatly improve the Canadian economy and save United States exchange.

Mr. MACDONNELL (Muskoka-Ontario): I am sorry to be so persistent when the minister is so gracious; nevertheless I still think we are in a very unsatisfactory position, and I hope the minister will have another look at it.

I wish to make one comment on what the hon. member for Dauphin has said. He pointed out that people who were in this business wanted to be assured of a return. I think we ought to try to speak accurately—and I think the hon. member does try. I believe if he will study the situation he will find that there is enough money lost to satisfy either him or anybody else who feels that those who are in private enterprise should make losses. I think he will find that there are plenty of losses.

Coming back to the minister, I repeat what has already been pointed out, that twenty-eight out of thirty-two rigs stand idle. It does not seem to me to add up if in one breath the minister says this is incentive legislation and in the next he takes no cognizance of the fact that apparently it is failing to act as an incentive. Either the government wishes to have oil produced, or it does not. Again I suggest to the minister that if that is a fair and full statement of the situation, that great numbers of developed rigs are being shut down, further consideration of the matter is called for.

Mr. ABBOTT: The position with respect to tax concessions to the oil industry can be summarized in this way. In the first place, the treasury bears 50 per cent of the cost of drilling unsuccessful deep test wells. Second, every oil company is allowed to write off the capital cost against profit and loss.

Mr. JACKMAN: If it makes a profit.

Mr. ABBOTT: There is a 100 per cent write-off of the capital cost against profit and loss account; if it makes a profit it can write off a hundred per cent of the capital cost against profit and loss account.

[Mr. Jackman.]

Mr. MACDONNELL (Muskoka-Ontario): If there is any profit.

Mr. ABBOTT: The proposal of the government goes further than that, so far as incentive legislation is concerned. We will pay up to 50 per cent of the cost of drilling an unsuccessful deep test well. If the well is successful I assume that the operator would get back one hundred per cent of his cost. That is as far as the government felt it could properly go in the line of incentive legislation. That judgment may be mistaken, but there are other reasons which result in failure to drill wells. The parliamentary assistant to the Minister of Finance has pointed out that he helped to finance the first successful oil well in the Turner valley. One of the greatest incentives to further drilling is the bringing in of a new well. The hon. member for Calgary East knows that as well as I. As I have said, the government feels that the present incentives are all that it can afford to offer under existing conditions.

Mr. HARKNESS: I think the minister is under a misapprehension when he states that the treasury bears fifty per cent of the cost of an unsuccessful deep test well. If a new company starts out in the oil drilling business and drills a deep test well, it gets nothing whatever from the treasury. The only case in which the treasury bears fifty per cent of the cost is where a well is drilled by a company having sufficient revenue. I think I can make my point clear by a simple example. If it costs, say $400,000, to drill a deep test well, and it proves to be a dry hole, a small company with an income of $100,000 per year from producing wells would get a tax concession of $19,000 on their $400,000 loss. In other words, they would have a loss in connection with drilling that well of $381,000. If the well was drilled by a large company with an income of $1,000,000 from producing wells, the tax concession on that particular well would be $190,000. In other words it would cost that company $210,000 to drill the well. As you can readily see, the effect of this will be to discourage new capital. There is no incentive in this resolution for new capital to go into the oil business. There are several small companies in Calgary which have drilling rigs and the necessary money, but they know that if they spend from $300,000 to $600,000 on a deep test well they will get no help from the government under this resolution. They would lose their money and would be out of business. Considering the return that they would get if they did bring in a producing well, they decide not to drill at all.

The only people that this legislation really helps are the large companies. One of my objections to it is that it does not encourage the small operator who is chiefly responsible for bringing in new oil fields. Once a field has been discovered the large companies come in and buy up the various leases and drill wells, but in most cases the new wells which have been discovered on this continent were discovered by the wild-catter who puts down a well at times in places where the geologists say there would be no use in putting one down. That is how the great oil development has taken place throughout this country. This legislation does not help the small man.

Mr. IRVINE: From the point of view of capitalism I think the hon. member who has just taken his seat has made a good point. Undoubtedly the smaller men are at a disadvantage, but if the government is going to bonus this industry I suggest it should bonus itself and take either the loss or the gain, as the case may be, and not just go out to bonus every Tom, Dick, and Harry who may want to go into the oil business.

Mr. HARKNESS: There is no question of the government bonusing the industry. What the industry is asking for is a fair deal in the matter of taxes. It is asking for an increase in the depletion allowance to bring it into line with its competitors in the United States, and to bring it into line with the concessions now made to the mining industry. That is the only sort of concession that will help the small operator. Then it is asking for an extension of this fifty per cent provision on deep test wells to wells which are drilled in the plains area. I do not know why the government will not put that into effect, because an oil well that goes down two or three thousand feet is just as valuable to the country as one that goes down 10,000 feet. As far as present exploration goes it looks as though there might be a better chance, in the next two or three years, of developing oil wells in the plains than in the foothills area. They can drill three or four wells there in less time than it would take to drill one in the foothills area.

Mr. MACDONNELL (Muskoka-Ontario): We have had placed before us figures which I submit show the virtual failure of the present legislation as incentive legislation. I should like to ask whether the government in considering the adequacy of this legislation had before it those or similar figures. In other words, did the government consider the present situation as described by the hon. member for Calgary East in reaching this decision? If they did not, would it not be reasonable to ask the minister to allow this resolution to stand so that they could take another look at it? After all, we are trying—at least most of us, with the exception of the gentlemen immediately to my left—to arrive at a situation which would give a chance to the smaller man.

Mr. ABBOTT: I cannot say that we know the number of drilling rigs which were actually idle, but the whole situation with respect to oil exploration in western Canada has been thoroughly considered. The hon. member for Calgary East knows that there has not been a single successful deep test well as yet. This legislation has resulted in substantial write-offs by I think seventeen concerns who have availed themselves of the fifty per cent privilege. As I said a moment ago, the government feels that this is as far as it can go to-day. Answering the hon. member for Muskoka-Ontario directly, I would say that the government has had under continuous review the position of the oil industry in western Canada and the exploration that is being carried on.

Mr. HACKETT: The tendency of legislation arising from resolutions of this kind is to give legislative effect to the programme of the gentlemen who sit to our immediate left. Their enthusiasm for these resolutions and for the legislation which will follow is easily understood.

Mr. CASTLEDEN: One of your members alleges that we are helping the large companies.

Mr. HACKETT: This legislation discourages private initiative. Hon. gentlemen to my left talk about the government bearing this and that part of the cost of developing these natural resources, but there are other natural resources. The lumber and mining industries are suffering because of similar misconceived legislation. The result is that if we fail to develop, or permit private corporations to develop, our natural resources—coal, lumber, oil—

Mr. MacNICOL: Minerals.

Mr. HACKETT: Minerals of all kinds—

The CHAIRMAN: I think the hon. gentleman should confine his remarks to the development of oil.

Mr. HACKETT: Perhaps the chairman would like me to read the resolution three or four times and consider that an argument. I am making an argument, and I submit with great deference that it is well within the compass of the resolution.

The CHAIRMAN: I have read the resolution several times; it refers to oil, and I think that all discussion should be directly relevant to oil wells. The house rules governing the procedure of committees definitely provide that when we are in committee all discussion must be directly relevant to the clause under consideration.

Mr. HACKETT: Mr. Chairman, I realize all the difficulties and annoyances pertaining to the very difficult post which you hold, and I must repress the inclination to question your desire to see some advance in the work; but I submit with great deference that as long as I am making a point which is relevant to the measure under consideration I am not to be circumscribed in the illustrations which I bring forth to elucidate the point at issue.

The CHAIRMAN: Let me assure my hon. friend that I do not want to circumscribe him, but I would ask him, if we are to make the progress we wish to make, to confine his remarks to the oil industry. I realize he may feel that he should mention other industries, but I do hope that he will stay close to oil.

Mr. HACKETT: The point I am endeavouring to make is that a resolution which discourages private enterprise from developing these mines and these oil wells, and which imposes heavy taxation upon exploitation of mines before there has been any chance to recover any substantial portion of that which has gone into their development, tends to throw the development of our national resources into the awaiting arms of the government.

Mr. MacNICOL: The government, every time.

Mr. HACKETT: The government seems to be willing to undertake anything these days, forgetting its normal function. I point out to the minister—and I am not going far, Mr. Chairman—that there are several resolutions with which he has entertained the house during the last few days which point very clearly to the adoption by the government of the programme of hon. gentlemen to the left.

Mr. ADAMSON: I merely want to point out to the minister, and particularly to the officials in his department, that the bringing in of an oil field is no small matter. It takes extremely large sums of money. I have been told that the development of the Bahrein island oil fields by, I think, the Standard group, cost, before they had a successful field, about $50 million. I mention this to show that we have to think in round figures when we are going to develop an oil field, and this legislation only goes half way. There should be complete exemption for all drillings. That is the rule elsewhere; it has proved a successful rule all over the world.

If we are to develop an oil field in Canada—and, with all due deference, we have not done so yet—we shall have to consider an expenditure of money in possibly the hundreds of millions, and unless constant and considerate encouragment is given, no oil field will be developed. We may not have an oil field: that we do not know, but if it is to be developed at all we have to raise our sights as to the amount of money which will have to be invested before we know definitely whether we have one or not. I want to bring that to the attention of the minister's helpers.

Mr. ABBOTT: May I reply briefly to my hon. friend? In respect of the seventeen drillers, companies or otherwise, that have availed themselves of this fifty per cent concession, there has been a total payment from the treasury by way of tax credit of something over $2 million already, with no successful wells as yet.

Mr. HARKNESS: The minister made a statement a minute ago on which I should like to comment briefly, that the oil situation had been fully canvassed and investigated by the government, and that in view of this investigation, or whatever you may call it, it was decided not to make any further tax concessions. I should be interested to know what sort of investigation or canvass of the situation was made. One of the chief complaints of oil men in western Canada is that there is apparently no one in the Department of Finance or in the government who understands the oil business and its implications, and as a result any decisions which are made, are made, at any rate frequently, on false premises. If this question of the tax situation affecting oil wells is ever to be straightened out in a reasonable way and to the satisfaction of the people concerned, any investigation which is made should be made with them, and evidence should be heard from them. I do not believe the people in the government here understand the oil business or the oil situation, and they are therefore not in a position to make decisions in this matter.

Mr. ABBOTT: I can only answer my hon. friend by saying that we have what I believe to be a very capable Department of Mines and Resources, and some capable geologists; while we have no oil industry experts in the Department of Finance we have some people

who know a good deal about the oil industry, and we rely for our technical advice on officials in the Department of Mines and Resources. That, I suggest, is perfectly proper, normal government procedure. We cannot rely exclusively upon representations made to us by the oil industry. We are glad to hear them, we have heard lots of them, but we must also take other opinions.

Mr. MACDONNELL (Muskoka-Ontario): The minister, though unintentionally, may have left some misapprehension by his statement with regard to the seventeen companies and the $2 million paid out by the government.

Mr. ABBOTT: I should correct that. It was seventeen wells. I do not know how many companies there are.

Mr. MACDONNELL (Muskoka-Ontario): That is not exactly my point. The minister should make a complete statement, not only as to concessions the government has made in respect of those wells, but what other transactions have taken place, what taxes were received from those companies, and so on. We ought to have a full statement as to how the public came out of that, and not merely the statement that an allowance was made.

Mr. ABBOTT: Let me take the case of one oil company in Canada which drilled a deep test well. I will not mention any names, but I know that company and so does the hon. member for York West. The company has spent a substantial amount of money in western Canada in deep test drilling, and it has not been successful in finding oil. The concession, if I may call it that, meant that fifty per cent of the costs expended in that deep test programme could be written off against the taxes which the company otherwise would have paid on its sales of gasoline. In other words it was a straight tax credit. It was just the same as if it had paid its taxes and the government had issued a cheque for half a million or whatever it might be.

Some hon. MEMBERS: Oh, no.

Mr. ABBOTT: It is exactly the same.

Mr. MACDONNELL (Muskoka-Ontario): I am sure the minister meant it that way, but from the point of view of the ordinary member of the public reading this, it is a very different transaction indeed, and that is why I asked to have it restated.

Mr. ABBOTT: If that is so, I am glad my hon. friend made the point. Perhaps I have been unable to bring it out. However, it has taken the form of a tax credit and that is what is intended. If the concern had no tax bill, there would be no credit. We do not issue a cheque from the consolidated revenue fund to pay half the cost of unsuccessful deep test wells, but we relieve the taxpayer of the obligation to pay money to the treasury to the extent of fifty per cent of the cost.

Mr. MACDONNELL (Muskoka-Ontario): Provided he is in the fortunate position of having made enough money elsewhere, so that he owes you money of which you can forgive him half.

Mr. ABBOTT: Precisely. But unless someone is in a position to pay taxes, the services of the country cannot be carried on.

Mr. MACDONNELL (Muskoka-Ontario): Quite so, but that is a different picture, and in my opinion the moral of it is also very different. The moral still is that, as the minister has stated, the unsuccessful fellows are left to carry their own load, as they must. That is part of the game. Nevertheless, I submit, and I will not repeat this indefinitely, that we have had no evidence whatever—this is not particularly a criticism of anyone—that the present situation has been taken into consideration by the government in reaching its conclusion. I still wish the minister would allow this to stand so that he can have another look at it.

Mr. ABBOTT: One cannot make tax concessions to people who pay no taxes, and this method of assistance has always taken the form of a tax concession and not a straight subsidy. It has never been suggested, so far as I know, that there should be a straight subsidy. I do not wish to allow the section to stand. It is the continuation of a policy which, as I said before, has been in force for several years.

Mr. MACDONNELL (Muskoka-Ontario): Unsuccessfully.

Mr. ABBOTT: I am not prepared to concede that it has been unsuccessful. If companies have been encouraged to spend presumably over $4,000,000 on deep test wells, it has been a fairly successful policy. We cannot go to the extent of paying the cost of all development, and my hon. friend would be the last to suggest that. I can only make the assertion, and it is a matter of opinion, that we believe this legislation to be proper incentive legislation, and we do not believe the government is justified in going further at this time. While I should be glad to allow the section to stand if my hon. friend insisted, I know, from the discussions I have had in the past on the question, that there is no

reasonable probability of there being any change this year. I really cannot say more than that.

Mr. MACDONNELL (Muskoka-Ontario): I will not ask that it stand unless the minister can say he thinks there may be factors which have not been taken into account. I will not ask to have it stand merely for the sake of holding it over.

Mr. ABBOTT: I cannot honestly say what my hon. friend suggests.

Mr. ADAMSON: While I realize that there is no likelihood of the change being made now, I suggest that consideration be given to allowing the entire cost of exploratory, deep test wells, or of any exploratory drilling in Canada by any company. I say this because in my opinion the economy of the country is desperately in need of an oil field.

Mr. HACKETT: You would save the bonus on imported oil.

Mr. ADAMSON: Not only that, but we need it in order to round out our fuel economy, and, indeed, our whole national economy. If the government said that they actually would bonus people going into the oil business to drill for oil—and I am not interested in the oil business; I do not know much about it—I suggest that we could develop an oil field of decent size, comparable with the oil fields of Oklahoma, Texas, California, Peru, Colombia and Venezuela; and if we could do that, the entire national economy of Canada would be altered tremendously. The benefit would be such that not only the Canadian economy but the entire economy of the British commonwealth of nations would be vastly improved. A great deal would be done for our national defence if we had an oil field. There is enormous advantage in having an oil field and I suggest that next year this should be one hundred per cent. I would even go so far as to say that if the government could help in the way of geological surveys and other activities of the kind, even if it were out of pocket for a few years, to see whether we could develop an oil field, it would be an advantageous expenditure of public money.

Mr. IRVINE: Having received from the hon. member who has taken his seat a more clarified view of what hon. gentlemen to my right are trying to press upon the committee, I feel prepared to refer now to the charge made by the hon. member for Stanstead. His sense of humour is heavy, and when he suggests that the policy of the present government is the policy of the group to which I belong, his humour is at its highest and I appreciate it. But I see now that the point is this. The hon. member would have no objection to taking money out of the public treasury for surveying, and even to assist in digging wells, in order that private corporations may get all the benefits that may accrue and the public sustain all the losses that may ensue. That is their policy, and I am opposed to it. If the government is going to do further investigating in connection with oil, and assist in any way in capital expenditures necessary to bring the oil to the surface, and if public money is to be expended and the public is to take the risk, then I suggest that the public should get the income. If my hon. friends to my right will go that far, they will be on our side.

Mr. ADAMSON: But they get the income from the taxes.

Mr. HARKNESS: The hon. gentleman could not have stated our policy in a way more contrary to the truth than he has done. He does not appear to understand what we have been trying to get at, nor does he seem to understand anything about the oil business.

Mr. IRVINE: It is castor oil you are talking about.

Mr. HARKNESS: The minister appears to think that a great deal has been done for the oil industry because $2,000,000 in tax drawbacks have been allowed for deep test drilling. As I have already pointed out, that benefited only a few large companies. They are the only ones that could take advantage of it.

Mr. ABBOTT: They spent fifty per cent of their own money and did not get any back.

Mr. HARKNESS: That is quite correct. I am not objecting to the fifty per cent drawback; I want it extended to other fields. The point I am making is that this so-called incentive legislation which the government has brought in is not operating as an incentive. I am requesting that changes be made in it so that it will act as an incentive, or a much greater incentive than it has done so far.

I should like to see the government increase the depletion allowance. They have improved the depletion allowance for the mines; why do they take such an adamant stand against improving the depletion allowance for oil wells? An increase in the depletion allowance from 33⅓ to 50 per cent, and a provision similar to the one they have in the United States to enable it to be moved backward or forward as required, would do a great deal to help the small driller. That is one thing that the government could readily do, in view of what they have done for the mines. The

minister owes an explanation to the country, and to the oil drilling people particularly, as to why the government is not prepared to extend the same tax concession on depletion allowance to the oil business as they have extended to the mining business.

Mr. JAQUES: The policy of the three groups other than this one is much the same in respect to the matter under discussion. But each group is trying to hide that fact from the other groups. There seems to be no lack of finance capital, if we look at the amount of deposits in the Canadian banks and the amount of bonds which are held by the Canadian people. If we are to maintain private industry, if we are to continue with the system of private initiative and private industry, then we have to block what I call funk holes for capital which are provided by government guaranteed bonds by which a man can be guaranteed safe and profitable investment for his money.

The CHAIRMAN: Order. I have asked other hon. members to confine their remarks strictly to the resolution under consideration, which is 31, production, refining and marketing of petroleum and deepening of oil wells.

Mr. JAQUES: The point I am trying to make, Mr. Chairman, is that apparently these different parties want the government to do what private enterprise should be willing to do for itself. Oil and mining are, and must be, most highly speculative enterprise. But, where there are great risks of loss, then there must be chances of great profits, otherwise people will not assume the risks. Capital seems now to prefer the safety of bonds, the safe usury of bonds, to the ventures of investment for profit or loss. It seems to me that if finance capital continues to go the way it is going, it can lead to only one thing, namely, the socialization of our economy. As I have said so often in this house, it is a proof of the partnership between Shylock and Marx.

Mr. BRACKEN: Before we proceed further, Mr. Chairman, I should like to raise one point. In the early discussions this morning I gathered from the minister's remarks that the Canadian people are making great—

The CHAIRMAN: If the hon. member for Wetaskiwin has any questions to ask, I know the other hon. member will be glad to answer them, but he must not ask questions without rising.

Mr. JAQUES: I beg your pardon, Mr. Chairman; perhaps I was a little excited.

The CHAIRMAN: Probably it was my mistake; doubtless I misunderstood.

Mr. MACKENZIE: Just a private fight.

Mr. BRACKEN: In the earlier discussion this morning I gathered from the minister's remarks that the oil industry is a considerable charge upon the Canadian people, that in some manner the Canadian people are being asked to aid this industry; in other words, that the industry is a burden upon the Canadian people.

Mr. ABBOTT: I did not suggest that.

Mr. BRACKEN: I did not say that the minister deliberately did it, but that is the impression I got. There was talk about subsidies, about aids, about incentives, about a hundred per cent write-off, and about $2,000,000 paid to the oil companies, and it was suggested that the government could not bear all the cost of certain of these projects. I rose only for one purpose. We all want the truth to be known. Aside from the cost of geological surveys and other basic development work which the government does in some of its departments, is the oil industry to-day, or has it been, a burden upon the Canadian people? Have other taxpayers in Canada contributed to the cost of this development, or is the government doing anything more than relieving it of some taxation in order to encourage its development? The impression which was left was that the industry was a burden upon other taxpayers. I gather the minister did not mean to leave that impression.

Mr. ABBOTT: No, I meant to leave no such impression, of course. In a general way I am fairly familiar with the oil industry as it operates in eastern Canada, and it certainly is no burden on the Canadian people. All that the government legislation has done or attempts to do is to provide to this industry certain reasonable and proper incentives to explore for new oil fields in Canada. We believe they are reasonable. It has been suggested this morning that they are not adequate. That, of course, is a matter of opinion. All that we have said to the oil industry, as to the mining industry, is that we will not ask them to pay taxes and at the same time assume capital losses. Under certain circumstances we will allow them to get back their capital and a certain proportion of their capital losses out of moneys which they would otherwise pay in taxes. We believe that is reasonable and proper, but I do not want anyone in this house or elsewhere to get the impression that we believe the oil industry is any burden on the people of Canada.

Mr. MacNICOL: I believe I can touch an aspect of this question which as yet has not been referred to. In my opinion every dollar

the government puts into the development of oil, by relieving those engaged in the oil business of a certain proportion of their costs in drilling wells, is money well spent and in the long run does not cost the country a dollar. I want to congratulate this government and every other government, provincial and otherwise, that has supported the development of the oil industry and the mining industry. My life has been spent in manufacturing, but in connection with oil I know that in huge plants in Hamilton, Toronto, Belleville, Stratford, Montreal, Sherbrooke and all across Canada, including your own fine city of Brantford, Mr. Chairman, thousands of men are engaged in manufacturing materials used by the oil companies. At Turner Valley, which presents a real object lesson as to the amount of money invested in getting oil out of the ground and processing it, one can envisage vast works, tanks, pipes and equipment made in plants all over the country. All that equipment, which enables oil men and mining men to take these materials out of the ground, gives a great return to the government through taxes of one kind and another—corporation taxes, sales taxes and so on all along the line. So instead of costing the country anything, this whole business returns great amounts of money to the country in addition to the employment it gives to thousands of men. I cannot understand the attitude of hon. members to my left. The more I think of their philosophy the less I understand how they can persistently oppose development.

Mr. KNOWLES: It is the dark before the dawn.

Mr. MacNICOL: I really get fed up with this talk about those who promote industry. There would be little employment in the country but for industry. I was in it for a long time, and I know. No wheels turn unless somebody puts up money to start them turning, and every wheel that turns means employment. I shall not get into that, or you will rule me out of order, Mr. Chairman, but some day I will get so fed up on this talk against industry that I shall explode. It takes the Scots a long time to get angry, and I do not want to get angry to-day.

Coming back to where I left off, I say I congratulate this and every other government on every dollar that has been invested in finding oil and minerals and having them brought out of the ground. They do no good in the ground; it is only when they come out of the ground that they give any return to the country. Instead of costing the country anything, these industries give vast returns by way of employment, and that is the thing I am interested in more than anything else. Our people want jobs, and they cannot get jobs unless somebody employs them. No other industry creates more employment and provides the number of jobs provided by the oil and mining industries. That is what we want. I say to the government, go ahead; assist in every possible way in the opening up of new oil and mineral fields. You only have to go to the Yellowknife, where I was not so long ago—well, they do not produce oil there. Go to Norman Wells; perhaps the chairman will let me talk about that for a moment. That is possibly a thousand miles north of Edmonton. There you see tank after tank and works for perhaps a mile. Most of that steel was made in Hamilton, perhaps by some of these fine fellows who are here to-day. The equipment you see up in that great oil field was made in hundreds of towns and cities down through Ontario and Quebec and elsewhere in the east. I would say there were perhaps a thousand men and women engaged there; that is an arbitrary figure, but it does a person's heart good to see all these people employed at good salaries. Who would have put money into Norman Wells if it had not been for the oil people themselves and the prospectors who went ahead of them? The prospectors do not come under this item. I should like to say a word to compliment them, but that would be out of order. I say to the minister, go ahead; support the oil people in every way to find new wells. Support the mining people in every way to find new mines, because it is all for the good of Canada.

Mr. MACDONNELL (Muskoka-Ontario): I want to ask the minister a question. I almost promised the last time that it would be my last, but perhaps this really will be the last one. First I want to refer to something said by the hon. member for Davenport. He congratulated the government. I want to explain that away by just saying it shows the boundless generosity of a real Scotsman. I am only a partly genuine Scot; therefore you will get no generosity from me. I want to refer also to the hon. member for Cariboo. My first acquaintance with the hon. member came through reading a delightful book he had written, in which among other things he gave an account of the party system. I recommend it to all hon. members. Since then I have always regarded the hon. member for Cariboo as preeminently a humorist, among his other qualities. You know, they say of Stephen Leacock that he used to mix up his humour and his economics, and I should like to think that occasionally the hon. member for

Cariboo does the same thing. However, he and I find ourselves in agreement on many subjects, such as the party system.

Mr. POULIOT: You are both artists.

Mr. MACDONNELL (Muskoka-Ontario): But not in the same class with the hon. member for Temiscouata. I want to ask the minister this question. What is the rate of oil production at present, and how does it compare with what we have had in the past? I am still sticking, like the puppy to the rag, to my feeling that this incentive has been a bit of a dud.

Mr. ABBOTT: I shall have to get that information for my hon. friend, but as he probably knows, speaking generally oil production in Canada is dropping.

Mr. MACDONNELL (Muskoka-Ontario): Then may I again ask if that in itself may not be a warrant for having another look at this section?

Mr. ABBOTT: Yes, I agree that it is certainly a warrant for having another look.

Mr. ZAPLITNY: While the minister is getting that information, perhaps he could also get figures to show the comparative prices for oil produced in the United States and oil produced at Turney Valley, say.

Mr. ABBOTT: I think I shall have to adhere to the stand I have taken. Which is that these matters should be discussed when we are discussing the subsidy on imported oil, when I shall have that information.

Mr. HACKETT: Why not keep the whole subject together and discuss these matters at the same time?

Mr. BRACKEN: While the minister is getting the data with respect to production, I wonder if he would try to get a little further information. I am concerned with seeing that the Canadian people have a correct view with respect to the oil industry in Canada, and not a wrong view. If other taxpayers in Canada are not bonusing this industry, it is time we knew it, and time we knew that any other impression is not correct. The minister has said—and we accept his statement—that the oil industry has not been a burden upon the people, except to the extent that general surveys and work of that type along basic lines has been done. In addition to its not being any burden on the taxpayers of Canada, this industry has been of some advantage in providing employment and revenue from taxation to carry on the ordinary activities of government. All hon. members will have access to the ordinary statistics of employment, but perhaps the minister could give us some idea of what the oil industry has contributed by way of taxation to the Canadian people.

Mr. ABBOTT: I think perhaps I can get information on that which would be of interest. Of course my hon. friend will appreciate that the oil industry, like a great many other industries, is divided into a number of compartments. There are marketing companies, companies which operate here in the east, some of which have nothing whatever to do with the production of oil. They have the crude oil refined and distributed as gasoline and lubricating oils. Others do not even do that; they simply buy gasoline and sell it. They are nothing more or less than retailers.

I take it my hon. friend's question relates principally to the industry so far as it engages in the production of oil in Canada. If that is correct I shall see what figures I can get and give them to the committee at another time. Perhaps the appropriate time would be when we are in committee on second reading of the bill. However I shall get what I can.

Mr. HARKNESS: In order to keep the record straight, not only have the oil producers of Canada not been a burden on the taxpayers, but they have saved the taxpayers between $5 million and $10 million a year in the past several years in subsidies which would otherwise have been paid. I am not returning to the matter of subsidies, but I am simply pointing out the way in which that amount of money was saved to the Canadian taxpayer.

Mr. MacNICOL: And on exchange in respect of oil coming into Canada.

Mr. HARKNESS: Yes, as the hon. member for Davenport says, on exchange. In addition, the oil producers for some time have bonused consumers of gasoline and oil products in western Canada to a greater extent than that. The bonus to consumers in western Canada last year was about $8 million. It is impossible for me to say definitely how much the oil producers saved the country, or how much they bonused the oil consumer, because the government has seen fit to withhold from me any information as to subsidies paid. However, through private sources I have found out that the subsidy was about 75 cents a barrel —indeed in some cases it amounted to 80 cents.

Mr. ABBOTT: We are right back on subsidies again.

Mr. HARKNESS: That would be a rough estimate of the amount of money the tax-

payers have been saved by the oil producers, and the extent to which the oil producers have bonused the consumer.

Mr. WRIGHT: If the minister is going to produce figures to show the position of producing oil companies, and if he wishes to paint a fair picture, he should also produce the figures for the closely allied handling companies. Their directorates in some instances are interlocking. To paint a fair picture of the oil industry he would have to show not only the profits made by the producing companies, but also those made by the handling, distributing and pipeline companies.

Mr. ABBOTT: I pointed out to the leader of the opposition that he had given a fairly big order, but I promised to do the best I could. I shall consider the hon. member's request. It will be recognized, though, that to make a complete and analytical survey of the oil industry in all its ramifications—although a good deal of the information may be available in the bureau of statistics—would be a large order, I might be able to get it before September or October when the house rises.

Mr. ROWE: I have followed carefully the remarks of my leader, of the hon. member for Muskoka-Ontario and of other hon. members of this party. I believe the committee recognizes that there are few industries more indigenous to Canada than the oil industry. I observe with interest and some concern the fall of our oil production.

In reply to the hon. member for Muskoka-Ontario the minister said he thought this condition was worth another look. Before that he had indicated that there was very little probability of the government changing its mind.

Mr. ABBOTT: This year.

Mr. ROWE: Yes, this year. Of course governments often change their minds, even when front-rank members of the cabinet are in doubt. Sometimes I have seen cabinet ministers change their minds when other cabinet ministers did not know they were changing. Recently the Prime Minister changed his mind when none of the cabinet knew he was changing it. So I still think there may be hope. I suggest the minister carry out his undertaking to the hon. member for Muskoka-Ontario and let the section stand in order that he may have another look at it.

Mr. ABBOTT: If the committee insists that it stand I shall have to comply, but I do ask that it be permitted to pass. There will be another opportunity for discussion when the bill is presented. I hesitate to interject a personal note, but I have a heavy programme to place before the house. I indicated earlier that I thought there was no reasonable possibility of our making any substantial change in the oil tax programme this year. Of course if the committee insists I shall have to allow the resolution to stand. But there is no change this year, and I think I ought to ask the committee to permit it to pass. I could consider it between now and the time the bill is presented.

Mr. ROWE: I understood the minister to say he thought it was unfair that he should take another look at the situation, and I thought his answer indicated there might be a slight chance. However, in view of what the minister has said I shall not insist that any change be made. I do express my regret that the government has not seen fit to leave the incentive as it has been.

Mr. ABBOTT: We are leaving it exactly as it it; there is no change.

Mr. ROWE: I mean that I regret there has been no increase in the incentive.

Mr. ABBOTT: We are just continuing for another year provisions which have been in force for three years.

Mr. ROWE: The government could very well have given consideration to increasing the incentive, and I regret that the only incentive given is that which can be taken out of profits already earned. There is no incentive offered to companies which might not have any profit. The government would be well-advised in my opinion—if it is in power in another year—to increase the incentive, because I know of nothing more important at the present time than the oil industry. It is regrettable to think that production has fallen.

Mr. MacNICOL: I shall give one brief example to encourage the minister to stick to any programme which would develop the oil industry. The development of that industry in the area around Norman Wells in the far north has resulted in a brand new business down here in this part of the country. It has been found that the burning of the fuel oil produced in that country encourages people in the far north to invest money in the building of houses which, because of the high price of coal up there, would not otherwise be built. There is no wood available for fuel purposes up there. The development of oil at Norman Wells has been a mighty fine thing, because it has brought about a new industry to manufacture stoves and furnaces to burn oil for use in the north country. This is just one small example of the benefits

brought about in increased employment created by investments by this and other governments in promoting the production of oil. Still further examples might be created and more employment created. I am told it is possible that thousands of these oil stoves will be required. I should like my hon. friends to my left, for whom I have a high regard, to try to get that point of view and realize the results that can be obtained by the country making these investments in prospecting. I am not making any comment upon whether it is or is not enough; I am simply grateful for anything the government can do to develop our resources and provide employment, not only in the west but in the plants of Ontario and Quebec.

Resolution agreed to.

32. That the deduction from tax allowed to a corporation, association, syndicate or exploration partnership formed for the purpose of exploring and drilling for oil in respect of exploration and drilling expenses be extended to expenditures incurred during the year 1947 but that in respect of expenditures in that year the deductions be reduced from 26⅔ per cent to 20 per cent thereof.

Mr. HARKNESS: What is the essential difference between resolution 32 and resolution 31?

Mr. ABBOTT: Resolution 32 is for the benefit of new companies which do not have an income. It will enable them to carry exploration expenses forward and deduct them if and when they do have an income. It is the same as the law now stands.

Mr. HARKNESS: I thought the clause was to apply to new companies, particularly syndicates and partnerships which might be set up for the purpose of drilling for oil. I would assume that this resolution 32 applies particularly to what you would term the small man; that it was meant to apply to him.

Mr. ABBOTT: Not necessarily.

Mr. HARKNESS: It applies more to him than to the large corporation.

Mr. ABBOTT: I do not know that I would agree with that.

Mr. HARKNESS: Why is the clause which appears in 31 "the deepening of oil wells which is completed in 1947" left out of 32?

Mr. ABBOTT: This is to cover an exploration enterprise, not a deep test well. The provisions covering deep test wells are to be found in another resolution. They must be approved by the Department of Mines and Resources and be authorized by the governor in council. This relates to the ordinary company exploring for oil, and it enables a new company which has no income to carry its expenses forward.

Mr. HARKNESS: I am not suggesting that either of these resolutions has to do with deep test wells. I was simply asking the essential difference between 32 and 31. The minister told me that the only essential difference was that 32 was designed to look after new companies and things of that sort. I then asked why that did not contain the clause, "the deepening of oil wells which is completed in 1947" which is included in 31.

Mr. ABBOTT: This and other resolutions are drafted in broad general terms, and when my hon. friend looks at the legislation I think he will find that it covers the point he has in mind.

Mr. HARKNESS: Resolution 31 provides for a reduction in deductions from 26⅔ per cent and 40 per cent to 20 per cent and 30 per cent respectively, whereas 32 only allows for a reduction from 26⅔ per cent to 20 per cent. Why is not the 40 per cent and 30 per cent included in the resolution?

Mr. ABBOTT: Presumably the new company which was formed would not be an oil marketing company. There are two types of companies, as my friend knows, the oil marketing company and the purely producing company. The rates are different, depending upon whether it is an oil marketing company or a producing company, or there might be a combination of both.

Mr. HARKNESS: Is the minister suggesting that the oil marketing company should have a greater allowance than the straight oil producing or searching company? That would seem to be the effect of what he is saying.

Mr. ABBOTT: I am advised that in both cases there is a complete one hundred per cent write-off provided under the present law. The only change is to bring the percentages into line with the reduced rates. These rates were reduced by an undertaking made under the dominion-provincial tax agreements.

Mr. HACKETT: What type of company would be affected if resolution 32 were dropped?

Mr. ABBOTT: A new enterprise formed for the purpose of exploring for oil.

Mr. HACKETT: They would not be covered by 31?

Mr. ABBOTT: They are not really covered by 31. As I explained a moment ago, 32

allows an accumulation of exploration expenses to be used in a subsequent year when there may be profits. Under 31 the already operating company has profits and can take its write-off in the year in which it incurs the expenses. There is no change except for the percentages. I thought the oil industry were quite familiar with what this is doing. Perhaps I am not the best person in the world to explain it, because it is rather complicated. I have the section of the act before me and I assure my hon. friend, as I have before, that there is no change in the existing law.

Resolution agreed to.

33. That the deduction from tax allowed to a corporation, association, syndicate or exploration partnership formed for the purpose of exploring and drilling for natural gas be extended to expenses incurred in the year 1947 but that in respect of such expenditures the deduction be reduced from 30 per cent to 22½ per cent.

Resolution agreed to.

35. That the deduction from tax allowed to a corporation, association, syndicate or exploration partnership whose principal business is production, refining, or marketing of petroleum or exploration or drilling for petroleum in respect of expenditures made in connection with a deep-test oil well, be extended to expenditures made in connection with deep-test oil wells spudded in during the year 1947.

Resolution agreed to.

At one o'clock the committee took recess.

The committee resumed at three o'clock.

34. That the deduction from tax allowed to a corporation, whose chief business is that of mining or exploration of minerals in respect of prospecting, exploration and development expenses incurred in searching for minerals be extended to expenses incurred in the year 1947 but that in respect of the expenses incurred in that year the deduction be reduced from 26⅔ per cent to 20 per cent.

Mr. ADAMSON: This resolution is, I take it, similar to the one passed last year, in effect, because it grades down the 26⅔ per cent deduction last year to a 20 per cent deduction this year, but still grants complete exemption to the mines.

Mr. ABBOTT: It is exactly the same, because 26⅔ is two-thirds of 40, and 20 is two-thirds of 30.

Mr. ADAMSON: And in fact it will be exactly the same as the resolution of last year.

Mr. ABBOTT: My hon. friend is right.

[Mr. Abbott.]

Mr. ADAMSON: The minister and I have an assignation together in another place this afternoon, and I have a lengthy statement to make with respect to his statement the other evening, so I would ask if he would allow me to make it on resolution 10, or would he prefer that I make it on the bill itself?

Mr. ABBOTT: It might facilitate progress, if it were equally convenient to my hon. friend, to make it on the bill. I do not want to be unduly optimistic, but I hope to press ahead with the resolutions this afternoon in order to get them advanced to the point where we can complete the preparation of the bill over the week-end. I would appreciate it, therefore, if my hon. friend could make his statement with equal effectiveness on the bill.

Mr. ADAMSON: Then so far as I am concerned I have no objection to item 34 carrying. Will the minister, after this is carried, proceed with resolutions 10 and 11?

Mr. ABBOTT: At once, yes.

Mr. ADAMSON: I have an amendment.

Resolution agreed to.

10. That for the 1947 and subsequent taxation years, a corporation other than a corporation whose income is primarily obtained from mining or logging operations shall not be allowed to deduct from income any corporation tax as defined in the existing wartime tax agreements paid to the government of a province.

Mr. ABBOTT: Resolutions 10 and 11 arise out of the dominion offer to provincial governments regarding tax fields. Resolution 10 states generally that provincial corporation taxes will not be allowed as a deduction in computing profits for purposes of the dominion corporation income tax. The exception to this general rule is the taxes levied on corporations whose income is primarily obtained from mining or logging operations. Resolution 11 makes positive provision for the deduction of taxes on profits levied by provincial governments on income from mining or logging operations. As the committee is aware, taxes on profits are not ordinarily regarded as an expense of doing business, and accordingly in the absence of any specific provision such taxes would not be deductible. Under this provision however the effect will be that the dominion corporation income tax will apply to the profit remaining after provincial governments have levied their taxes on profits from mining and logging operations.

I should correct, I think, at this time a misunderstanding of the purpose of resolu-

tions 10 and 11 which appears to have arisen. In the budget debate on July 8 the hon. member for Nanaimo implied that under the dominion-provincial proposals these industries were being singled out for double taxation. It should be clear now, I think, to the hon. member that the purpose of these resolutions is to give relief from double taxation where it exists in the mining and logging fields. If special taxes are levied on these industries by provincial governments, as is the case in one province at least, relief will be obtainable under resolution 11 now to be proposed.

Mr. PEARKES: But they still can be taxed both by the dominion government and by a provincial or municipal government if a provincial or municipal government so desires.

Mr. ABBOTT: That is correct, but, contrary to the general rule, in the case of these companies the dominion government will allow as a deduction from income the tax, if any, paid to a provincial government—which has never been done in the past.

Mr. ADAMSON: Are we on resolution 10?

Mr. ABBOTT: We are on No. 10. I dealt with 10 and 11 together because they are closely allied.

Resolution agreed to.

11. That there be allowed as a deduction from income earned after January 1, 1947, of a corporation whose income is primarily obtained from mining or logging operations taxes paid by it to the government of any province including income tax on income earned after January 1, 1947.

Mr. ADAMSON: I have an amendment. I will read the amendment first.

That there be allowed as a deduction from income earned after January 1, 1947, of a corporation whose income or on that part of such income which is primarily obtained from mining or logging operations taxes paid by it to the government of any province including income tax on income earned after January 1, 1947.

The new words are "or on that part of such income." I suggest that for this reason, that there are companies whose primary business may not be logging or mining but whose interests contain a mine—particularly I am thinking of a mine. We will take a steel company operating a mine: the primary business of that corporation would be the manufacture of steel—at least we hope it is going to be the manufacture of steel, shortly—but because its primary function is the manufacture of steel it would not come in under and get the benefit of this clause. Nevertheless it is operating a mine. There are one or two corporations in that class, and I have suggested that the seven words be added to the resolution to cover such cases. It does not alter the resolution at all, but merely allows companies of the kind I have mentioned to come under the clause.

Mr. ABBOTT: I would be ready to accept the amendment. The intention is that the tax on that particular kind of income will be treated as a deduction, regardless of what type of company it is, and that will be made clear in the legislation. But if my hon. friend feels that the words he has suggested in his amendment make it clearer in the resolution, I am quite prepared to accept the amendment.

The CHAIRMAN: The amendment would enlarge the class of those who would obtain benefits.

Mr. ABBOTT: I think not, Mr. Chairman. I indicated that it was really our intention to include incomes such as my hon. friend has suggested. I believe myself that the resolution is probably wide enough to cover what he has in mind, but to make it perfectly clear I am ready to allow those words to be inserted. I do not take the stand that it enlarges the purpose of the resolution. I believe the resolution covers the point now. However, I accept the amendment in order to satisfy the committee. The legislation will unquestionably make the point perfectly clear, and if my hon. friend is prepared to take that assurance it will meet the situation. It is on the record now. The legislation will include the provision, but if he prefers to have the resolution in the form he has suggested I have no objection.

Mr. ADAMSON: If it is all the same to the minister, I am speaking of matters such as royalties paid on a fee basis to the province.

Mr. ABBOTT: I am satisfied that the amendment does not enlarge the purpose of the resolution, but is for the purpose of clarification, and therefore I accept it.

Mr. ADAMSON: Thank you very much.

Amendment agreed to.

Mr. BLACK (Yukon): Before the clause as amended is carried I would like to read to the minister portions of a letter from a mining company in my constituency showing the seriousness of the loss incurred by mining companies as a result of putting the Canadian dollar on a parity with that of the United States. I quote:

The proposal of the government to allow a depletion of $2 an ounce as an alternative to the 33½ per cent of profits is of no relief whatever to this company, along with most other established operators.

The loss of $3.50 an ounce caused by bringing our dollar to parity with that of the States is a very serious one to us. Labour and other costs have gone up greatly, and are going higher. Unless some relief is found, either by way of an increase in the price of gold, reduced taxation, or increase of the depletion allowance on profits to a very substantial degree, our marginal operations such as that on Bonanza Creek will have to be shut down, and our proposed development programme will halt.

I hope the minister will find some way of remedying that situation in regard to mining companies, gold mining companies particularly, which provide such a large amount of employment for men in Canada, and which spend so much in the purchase of supplies and equipment. Their plight is not a pleasant one.

Mr. ABBOTT: My hon. friend was kind enough to send me a copy of the letter to which he has referred, and I appreciate that the change in the exchange value has had important consequences for every gold mining company. The statement I made in the house last Friday evening, I believe it was, sets out the utmost the government feels it can do under existing circumstances to help to correct that situation to some extent.

Resolution as amended agreed to.

17. That a farmer or fisherman be permitted for the 1948 and subsequent taxation years, at his option, to compute his liability to pay tax on the average of his income for the taxation year and the two preceding taxation years.

Mr. ABBOTT: This resolution relates to the three-year averaging for farmers and fishermen. The resolution, after being considered by the committee on Thursday, July 25, was allowed to stand, and I undertook to give further consideration to the representations made by various hon. members in connection with it. The main point urged at that time was that for averaging on a five-year rather than on a three-year basis. In the meantime I have considered carefully the arguments put forward by hon. members, and at the same time have considered other aspects of the proposal. I think the committee will agree that the proposal for a moving three-year average meets to a large extent the claims for a longer period of averaging. This aspect of the proposal was, I believe, emphasized fully the other day.

The second point, which I think was not perhaps fully appreciated in the previous discussion of the item, was that if a five-year rather than a three-year average is taken, farmers and fishermen would obtain no benefit from the provision until five years hence. This seems to be an important consideration in favour of the three-year rather than the five-year period. In the discussion of the item the other afternoon it was pointed out several times that the administration of income tax with respect to farmers is not easy because of accounting difficulties and lack of adequate records. To those advocating the five-year averaging, I must point out the difficult requirements imposed on farmers in keeping adequate records. The introduction of this principle of averaging is a completely new departure in the income tax system, and is proposed here for one group of income taxpayers. I regard the three-year average as substantially meeting the requests of industry, and for the reasons stated above I have concluded that the original proposal for a three-year moving average is, on balance, a practicable method and represents a satisfactory alleviating measure.

Resolution agreed to.

18. That for the 1946 and subsequent taxation years, the service pay and allowances, other than travelling allowances or separation allowances in place of travelling allowances, of a member of the permanent Canadian naval, military or air forces paid at the new rates of pay and allowances established for the said permanent forces be taxable income of a member irrespective of

(a) whether he is serving within or outside of Canada; or

(b) whether he receives the pay and allowances during the first six months after his return to Canada.

Mr. ABBOTT: This is related to the question of service pay and allowances. I believe the main part of the discussion had reference to the income tax treatment of certain special income tax groups, including particularly the fire-fighters.

Mr. GREEN: And auxiliary services.

Mr. ABBOTT: Yes. I have given careful consideration to the representations which were made by various members in the course of the discussion. As I pointed out at the time, it was not a new subject to me, but one which I had been in fairly close touch with for at least three years. I stated the general principle on which the government had proceeded in connection with income tax exemptions for these groups, namely that it had never been considered desirable or appropriate to grant complete income tax exemption to any civilian group. The question of certain special benefits for the fire fighters and auxiliary services, I believe, is the subject of legislation which was considered by the veterans affairs committee and which will be before the house in a few days. On the question of income tax exemption, the question so far as the auxiliary services is concerned was settled some time ago by order in council, and I believe the members of the committee are familiar with the basis on

which that matter was disposed of. When I spoke the other day I indicated that I thought special provision had been made, or was being made, for the fire fighters. At the time I spoke I was not aware that an order in council had been passed dealing with that question as well. The position under the order in council is that the fire fighters are being treated substantially on the same basis as the auxiliary services. I am advised that remission of taxes payable for 1942 in respect of pay and allowances, including dependents' allowances, while serving outside the western hemisphere, has been granted on the ground that no deductions were made and that they were not aware that they were taxable. For subsequent years the basis of the remission of taxes is granted in respect of one-fifth of service pay and allowances, including dependents' allowances for 1943, 1944, and 1945 during which they served outside the western hemisphere. There is also remission of the refundable portion of the tax calculated for all the years from 1942 to 1945 inclusive. I am informed that that is comparable to the bases on which the auxiliary services were treated. I do not know that there is anything more I can add, except to say that after consideration by myself and my colleagues we feel that complete exemption cannot be granted.

I am getting figures which were asked for by some hon. members as to how many are involved. Apparently 422 persons were involved in all, of whom twenty-nine were officers and 393 other ranks. I refer now to the fire fighters. The first of such personnel went overseas in May, 1942. The whole corps was overseas by December, 1942, and they returned to Canada in 1945. As to whether any have paid taxes, the information is not available, but it is anticipated that across Canada some may have done so. Since the T-4 information as a check was not available, it has not been possible to say as yet how many have been assessed. There was no deduction of taxes at the source for these individuals, the table of tax deductions not having been sent outside of Canada. It is probably fair to say that as a result of the remissions to which I have referred the vast majority of these persons would not come within the tax category.

Mr. GREEN: The fire fighters?

Mr. ABBOTT: Yes. The deputy minister advises me that in effect the provision which has been made here will result in complete tax exemption for over ninety per cent of those involved. As to the auxiliary services, I have not any estimate as to that. I should think they might be on a somewhat different basis.

Mr. GREEN: The contention of those of us who pressed for the complete exemption was that all these men were in effect the same as men in the armed forces.

Mr. ABBOTT: I appreciate that.

Mr. GREEN: And should be treated in the same way. I have no intention to-day of repeating the arguments, but that is what we believe, and we certainly are not satisfied with the statement the minister has just made.

Mr. ABBOTT: I appreciate the fact that that was the position my hon. friend took. In the previous discussion he made that clear, including the reasons which led him to put forward that view. I say with regret that we have not been able to accept it.

Mr. PROBE: What is the position of the civilian employees of the Canadian Legion Educational Services so far as tax remission for the war years is concerned?

Mr. ABBOTT: If serving overseas they are considered as forming part of this auxiliary service to which I have referred, and they were granted a tax exemption with respect to one-fifth of their pay, dependents' allowances, subsistence allowances and the like, and the refundable portion of their tax was remitted along the same lines as I indicated a moment ago with respect to these fire fighters.

Mr. PROBE: That is now final.

Mr. ABBOTT: It is final so far as anything is final in this world.

Mr. LENNARD: The other evening I asked the minister why the fire fighters had not been taxed at the source. A few moments ago he indicated that the tables had not been sent out of Canada, or something to that effect. They were not taxed at the source, but I understood that the supervisors were; therefore the tax tables of the supervisors must have left Canada.

Mr. ABBOTT: My hon. friend may be right. The supervisors were in a somewhat different position from the fire fighters. As my hon. friend knows, the joint service organization in Ottawa had headquarters here. They were in close touch with army headquarters all the time, and it may be that there was a little better liaison with that group than with some others, but I would not be prepared to say that the hon. member is not correct in what he has just said.

Mr. PROBE: In cases where the tax of these auxiliary groups was not paid while they were overseas, what steps are customarily taken to secure the tax in arrears? It is going

to be a little bit of a blow on quite a few pocketbooks.

Mr. ABBOTT: The procedure is the ordinary collection of accounts method. As the hon. member for Regina City says, it may come as an expensive surprise. I do not know that I can elaborate on the answer.

Mr. PROBE: The department has the collection machinery.

Mr. ABBOTT: The deputy minister assures me that in the Department of National Revenue he has an efficient collection machine.

Mr. LENNARD: I presume there will be no penalties because this tax has not been paid.

Mr. ABBOTT: There will certainly be no penalties for late filing of the returns. I was about to say that I am sure the administration will treat these cases in a sympathetic way.

Resolution agreed to.

19. That for the 1947 and subsequent taxation years the pay and allowances of a member of the non-permanent Canadian naval, military or air forces other than the pay and allowances received by a member serving outside of the western hemisphere or within six months of his return thereto be taxable income of the said member and that the provisions for

(a) a tax credit in respect of pay and allowances exceeding $1,600 as provided by rule 2, of section 3 of paragraph A of the first schedule; and for

(b) taxation of a member serving outside of Canada in the western hemisphere at one-half the effective rate of tax applicable to his total income

be repealed.

Mr. PEARKES: Is the minister going to explain?

Mr. ABBOTT: This resolution has already been discussed at length. It is one of the three resolutions which refer to the armed services and the merchant marine. The only questions we were discussing were in relation to the auxiliary services, the fire fighters and the like. I do not think there is anything further, unless my hon. friend has some point he should like to raise. I thought we had pretty well covered the general discussion and were concentrating on the question of these special groups.

Mr. PEARKES: That is not my recollection of the discussion which took place.

Mr. ABBOTT: That is all right.

Mr. PEARKES: We had not got any farther than a discussion on resolution 18. There are still some points which I should like to raise in connection with resolution 19, which deals with an entirely different class of people, namely, citizens, soldiers, sailors and airmen who gave up their spare time in order to prepare themselves for the defence of their country. I can understand the reasoning as applied to the regular soldier, sailor and airman, that the income which he derives from his pay and allowances is his main source of income. Soldiering or his work in the service is his life profession, but those gentlemen who are in the non-permanent militia are giving up their spare time. Any pay and allowances which they draw cannot be regarded as their regular source of income. These men of all ranks in the past have drawn on an average, I should say, about fifteen days' pay in a year. I believe the law limits the amount they can draw to thirty days' pay. Out of that pay it has been the custom in the past, and I do not suppose there is any radical change now, for officers, non-commissioned officers and men to contribute varying amounts to their regimental funds. In fact I do not think it is an exaggeration to say that in the long years between the first world war and the second world war, if it had not been for the contributions which were made by the personnel of the non-permanent militia we never would have been able to mobilize in the time we did when the second war broke out. I think credit for that speedy mobilization must be given to those citizens who devoted their time to this cause. It was not only their time; they devoted a large proportion of their pay and allowances as well. It was customary for officers of many units to contribute the whole of their pay. I will not say that was the universal practice, but it was done in a great many units. Sergeants contributed a large share of their pay, and the men of almost every unit made some contribution as well. It might have been only one day's pay of the fifteen; in some units the whole pay was put into the regimental fund, and these regimental funds enabled the units concerned to maintain their existence during the years between the wars, and to mobilize in 1939. Now these men are to be taxed on the amount of pay and allowances they receive. I should think it would be possible to make some exceptions. You might say that personnel who spend the whole summer in camp, serving on the staff, thereby drawing pay for perhaps two or three months as some of them have done in the past; personnel who take extended cruises on board ship; personnel who take courses lasting for two or three months, might reasonably be expected to pay income tax upon the amounts they draw. I do say, however, it is stretching the point too far to tax the civilian personnel on that fifteen days' pay, when a large portion of it is handed back.

In the first place I would ask the minister to reconsider this matter and see if he could not except the ordinary day's pay and allowances for the ordinary training. If he will not go that far, will he not allow as a deduction such pay and allowances as are contributed to the regimental funds?

I should like to mention one other point. It must be remembered that many of the personnel have to buy uniforms and part of their equipment. The men you are now trying to encourage to go into the three services are young men just starting out in life. Many of them have not a great deal of money; and if they find themselves raised to a higher bracket for this reason it might be a deterrent, because after all the service is none too popular. The wives do not like to see these young men spending all their holidays in camp and going out evening after evening to train. As an encouragement to them I would ask the minister to consider first of all whether he cannot relieve them of the tax entirely on pay and allowances for normal training or, if not, at least allow contributions made to regimental funds as a deduction.

Mr. ABBOTT: First I thank my hon. and gallant friend for what he has said with respect to the work of the reserve army, with which I am in complete agreement. On this question of tax exemption, I think he was here the other night and probably heard my views in that regard. I am against tax exemptions. I do not think there should be any. If we were granting them to any civilian group under circumstances such as the hon. member has outlined, probably the members of our reserve army who serve, as he has said, for a portion of their spare time during the year and perhaps go to camp for two or three weeks, would be a deserving case; but I do not think we can grant complete exemption to any class.

On the other point, I am advised that contributions by members of the reserve army to regimental funds are properly deductible from income for tax purposes. That does not include contributions to the officers' mess, of course, or for special comforts for one group, but donations made by anyone to regimental funds, particularly in the case—as I know it is the case—of officers and men who turn their pay in to the regimental funds, can be claimed as a deduction from income for purposes of taxation, of course up to ten per cent of a man's income, which I think would be adequate in most cases.

Mr. PEARKES: That would be ten per cent of his total income, not ten per cent of the pay and allowances?

Mr. ABBOTT: Quite so. If a man had an income of $10,000 he could make donations up to $1,000.

Mr. BROOKS: I do not feel that I can add anything to what has been said so eloquently and logically by the hon. member for Nanaimo, but I should like to just second his remarks. I have had some experience with the militia; the Acting Minister of Finance is also Minister of National Defence, and I have no doubt his sympathies are entirely with what the hon. member has just stated.

Mr. ABBOTT: I tried to make that clear.

Mr. BROOKS: I can assure the minister that he is going to have considerable trouble organizing the militia throughout this country if he puts handicaps such as this in the way. I know that before the war the officers did contribute practically all their pay either to the regimental fund or to the officers' mess. For many years they contributed part of their pay in order to help pay the men coming in. We were allowed only a skeleton company, and in order to increase the numbers the officers contributed part of their pay so that more men would be encouraged to go to camp. I must say I think it is a very short-sighted policy on the part of the government, when they are trying to build up the militia of this country, to impose upon themselves a handicap like this. I suggest that the minister carefully consider the recommendation which has been made by the hon. member for Nanaimo. I believe it would be beneficial indeed to the militia if it could be given favourable consideration.

Mr. HARKNESS: I should like to support the suggestions advanced by the hon. member for Nanaimo and the hon. member for Royal. It is well understood by everyone who has had any experience with the non-permanent militia that the money received in the form of pay and allowances is not real income. In most cases I believe the recipient of the pay and allowances is actually out of pocket at the end of the year as a result of his membership in the militia. In view of that fact I can hardly accept the minister's view that no exemptions or exceptions should be made. In many forms of business, money received which does not constitute real income, from the point of view of making the company any better off, is exempt; and it seems to me this is a proper case where an exemption should be made. As to the discouragement which the imposition of this tax causes among members of the militia and prospective members, I can give personal testimony. I know of two men in Calgary who served in the

militia for many years, before the war and during the war, one of whom was overseas. Both were complaining bitterly about the fact that the pay and allowances they had received last year had worked in such a way as to bring their income a certain level, so they had a heavier tax imposed upon them. They not only spent the money which they had received as a result of being in the militia, but they were out the extra amount of money collected from them in taxes. I suggest that serious consideration be given the abolition of this tax.

Resolution agreed to.

20. That the exemption of amounts received by members of the merchant marine as war risk bonuses in respect of service in a war risk zone and of the value of board and lodging received on shipboard, while performing service in respect of which such bonuses are payable be repealed for 1947 and subsequent taxation years.

Mr. GREEN: I should like to refer to the manner in which merchant seamen who were interned have been treated. They have had to pay income tax for all the time they were interned. Apparently their money was held there by the government. A certain portion of it was used to help their dependents. The balance was retained, and some of it is still retained. Out of that balance these men are being assessed for income tax during the time they were in captivity. I suggest that is not a fair procedure. This matter was brought up in the veterans affairs committee, and the following unanimous recommendation was made in the report of that committee:

That income tax be remitted in respect of detention allowances payable to merchant seamen under the provisions of order in council P.C. 12/4209 dated June 12, 1941, as amended by P.C. 87/5204 dated July 16, 1941.

It may be that resolution No. 20 is wide enough to enable the government to make the necessary provision in the bill. But if it is not, I would ask that the minister extend the terms of the resolution so that these men need not pay taxes for the time they were interned.

Mr. ABBOTT: I am advised that the matter is under sympathetic consideration. I do not know that I can make the positive statement at this time that it is being given favourable consideration. I am informed it is the type of special case which may be handled by remission under the Consolidated Revenue and Audit Act, and I think that is the proper way to handle a special case of this kind on compassionate grounds. It is done in other cases, and I should think that this could be handled in that way. I am glad my hon. friend has called my attention to it, and he can rest assured that it will receive sympathetic consideration.

Mr. GREEN: Will the minister make a statement on the point when the bills are brought in?

Mr. ABBOTT: I should hope I would have a chance to discuss it with the departmental officials before that time.

Mr. GREEN: The discussion will be found at page 1472 of the proceedings of the veterans affairs committee.

Resolution agreed to.

EXCISE ACT

Mr. ABBOTT: I suggest that we take at this time the resolutions respecting the Excise Act, and then all resolutions can be reported at one time. We could take resolutions 1 and 2 together.

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

1. That the excise duty of $3 per thousand on cigars be reduced to $1 per thousand.
2. That any enactment founded on this resolution shall be deemed to have come into force on the twenty-eighth day of June, one thousand nine hundred and forty-six.

Mr. ABBOTT: Under resolution 1 there is a reduction in the excise duty on cigars from $3 to $1 per thousand. This reduction may be considered along with the proposed amendment under the Special War Revenue Act, which I hope will be considered in a few minutes, and which repeals the present graduated specific tax on cigars, replacing it with a straight 25 per cent ad valorem tax. It is believed that the new arrangement will be regarded as a fairer system than that which has been in effect. It will remove one of the awkward features of the existing system which repeatedly caused trouble. Under the present graduated tax an increase in selling price above certain points resulted in bringing on an additional tax far in excess of the increase in gross receipts resulting from the price increase. Under the straight ad valorem tax this so-called "notch problem" is eliminated. On balance the new arrangement with respect to taxes on cigars will produce slightly more revenue, possibly $160,000 or more a year.

Since the announcement in the budget of this tax change, various cigar manufacturers have requested that the new rate be only twenty per cent instead of the twenty-five per cent proposed. I have carefully considered these representations, but having regard

to the relative level of the taxes on cigars as compared with other forms of tobacco I do not consider that the twenty-five per cent tax is unreasonable. Accordingly I am not recommending that any change be made in the budget resolution.

In the latest fiscal year the revenue from cigars under the Special War Revenue Act and the Excise Act combined amounted to $2,240,000.

Mr. BENTLEY: When these resolutions were prepared, was serious and sympathetic consideration given to the removal of the tax of two cents a bottle on soft drinks? It seems to me that this is important, because it would help to give the young people of the country a greater opportunity of having small social gatherings—more than by reducing the tax on cigars.

Mr. ABBOTT: We hope that this will produce an additional revenue of $160,000 a year.

Mr. REID: They are only drugs, anyway.

Mr. ABBOTT: The tax to which my hon. friend refers comes under the Special War Revenue Act, which we will consider in a moment or two. He can ask his question at that time.

Mr. LENNARD: I believe this has been the cause of the elimination of the five-cent cigar. We now have to pay from fifteen to eighteen cents for two, or something of the kind.

Mr. JACKMAN: How much does the minister expect to get in the way of revenue, as against the $2,240,000?

Mr. ABBOTT: As I indicated, we expect to get slightly more revenue, possibly as much as $160,000 a year.

Mr. JACKMAN: Although this question may not fall directly under the resolutions before us, I would ask why it is that cigars went up in price. The six-cent cigar is now being sold at two for fifteen cents.

Mr. ABBOTT: I am advised that cigar manufacturers' costs, along with some other costs, have increased, and that they have, coincidentally with the change in taxes, adjusted their prices. As the committee knows, there is no ceiling on cigar prices.

Mr. PROBE: Will the minister give a clearer explanation as to how much of the cost of a cigar is taken up in one or other of the two tax forms the minister has mentioned? With the tax being reduced from $3 to $1 per thousand I am confused when I am told that about $160,000 more will be received in revenue each year, when it is combined with the ad valorem duty.

Mr. ABBOTT: Because we are increasing the ad valorem tax.

Mr. PROBE: What is the tax on a cigar which sells wholesale at ten cents or fifteen cents? Cigar prices seem to have gone up twenty per cent, and while I believe this is a good place for a tax—I am all for it—the tax will increase the revenue by only about eight per cent, according to the estimate given by the departmental officials. I should like to understand it a little better.

Mr. ABBOTT: I do not know that I can give a definite answer. However, this is what it amounts to: the tax is $1 per thousand. My hon. friend is a better mathematician than I, and he can figure how much that would come to. Then there is 25 per cent of the selling price, which varies. I suppose the cigar manufacturer too pays his share of income tax.

Mr. PROBE: The tax is now 25 per cent?

Mr. ABBOTT: Twenty-five per cent ad valorem and $1 per thousand excise.

Resolution agreed to.

SPECIAL WAR REVENUE ACT

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

1. That the securities transfer tax be extended to apply to rights to receive shares of stock.

Mr. ABBOTT: This resolution relates to the securities transfer tax. Under the present provisions of the stock transfer tax, transfers of rights to receive shares of stock have not been taxable. The present resolution is that they shall be taxable in future. Hon. members who are familiar with matters in financial markets will know at once what is meant by dealing in rights. In a company reorganization or rearrangement of the capital set-up existing shareholders are sometimes offered an opportunity to buy additional shares at a price below the market. Accordingly these rights are valuable. They are transferable, and it seems only reasonable that if there is a tax on the transfer of ownership of shares, the tax should likewise apply to transfers of rights to receive shares. This is what is proposed under resolution 1. Revenue from stock transfer tax for the latest fiscal year was about $1,000,000.

Mr. JACKMAN: The government is doing something which more or less takes away from what the shareholders had to begin with. The government says, "We will put a little extra tax on this." I see no reason why you should want to tax these rights. It is not a heavy tax, but it adds up to a substantial amount over

a period. Will the minister agree that giving rights cannot possibly give a shareholder more than he had before? It merely prejudices him if he does not take up his rights.

Mr. ABBOTT: I want to answer my hon. friend by saying that I am not trying to argue that his statement is a completely accurate statement of law. The granting of rights to a shareholder does not give him any greater interest in the company than he had before. But if he does not take up his rights but sells them, in effect he is selling a portion of his proportionate part of that company's business.

Mr. JACKMAN: I will concede the fairness of a tax on the selling of the rights, but not on the exercise of the rights.

Mr. ABBOTT: There is no tax on the exercise of the rights; it is just a tax on the transfer or sale.

Mr. JACKMAN: All right; that is fair.

Mr. GREEN: These are the resolutions having to do with the Special War Revenue Act. Will the minister make a statement on the tax on soft drinks? There has been a good deal of concern about this tax; representations have been received from many young people, from church leaders, from leaders in the Boy Scout movement and other community leaders who have to do with our young people. They are all much concerned about this tax and I believe something should be done to reduce it. I should like to read a letter which I received from Reverend Joseph I. Monaghan, director of the Catholic youth organization, Immaculate Conception parish, Vancouver. It is as follows:

For almost twenty years I have had the high privilege of close association with and direct control of young people; and I believe my experience—in the classrooms of four provinces, as director of athletics at two colleges, and as moderator of young people's organizations—qualifies me to speak with authority on the attitude and tastes of youth.

Virtue has no more deadly enemy than strong drink. And plain, factual report should convince any honest citizen of our country that the "drink evil" is on the increase among our young people. Youth does not need any artificial stimulant for its social life and every effort should be made to have alcoholic drinks written off its beverage list. But we cannot ask our boys and girls to silence the natural clamour they all feel for the kind of beverage proper to their age. Whenever young people get together they drink. That is as common to them as eating potatoes. It is therefore the duty of every right-minded Canadian man and woman, and particularly of the Canadian government, to see that our boys and girls confine their drinking to beverages that give pleasure or quench thirst, without becoming habit forming as alcoholic stimulants do. Any step taken by the Canadian government to make soft drinks more easily available to young Canadians is a step in the right direction.

[Mr. Jackman.]

The special war excise tax levied on temperate beverages found our youth uncomplaining, and they gladly bore the expense and inconvenience of seven cents a bottle "pop." The war over, Canadian youth rightly believes this tax should be removed. In peace time it irritates them. They feel they should be granted again the right to buy their favourite beverage at the convenient pre-war price. Surely the government can meet the financial exigencies of the post-war period in some other way than by continuing a tax that young Canadians now strongly object to and which, if not removed immediately, will soon cause a loss of bountiful good will that by no means can be compensated by the moneys acquired from a now unfair tax.

We leaders of youth in Canada have reason to believe that our government fully realizes and sincerely appreciates the contribution we are steadily making to our country by moulding the character of Canada's youthful citizens. That being so, may I respectfully beg you to assist us in our work by removing the cause of persistent annoyance felt by those under our charge.

I confidently assure you that compliance with this request will pay magnificent dividends.

Yours very truly,

(Rev.) Joseph I. Monaghan, S.J.,
Director, C.Y.O., Immaculate Conception Parish.

I do not pretend to be an expert on youth, although I have boys of my own, but I think Father Monaghan has placed his finger on the real significance of the effect of this tax. I suggest to the government that they would be wise to change it. I am not going to add to the submissions made in this letter, because they cover the case.

Mr. REID: Like my hon. friend, I have received many letters of the kind, but I have taken exception to those letters. I have written back to priests and ministers and clubs pointing out that I was writing to the Minister of National Health and Welfare asking him to examine this whole soft drink question. To my mind it constitutes nothing more or less than a drug forming habit which is having its effect upon the lives of our people. I have had some experience in athletics, and I think any one who has had similar experience will agree that you would not ask an athlete to take soft drinks. There is nothing better than cold water when he is thirsty. I appeal to the minister of health to investigate this whole soft drink matter. I have not had an answer from any priest, minister or layman to my request that he make a statement in reply to my letter.

Mr. MacNICOL: Does the hon. member consider that the drinking of cold water has made him the excellent bagpipe player that he is?

Mr. GREEN: It has added a great deal to the strength of the playing.

Mr. MUTCH: I did not rise to discuss the merits of various beverages from the athletic point of view, because I am no athlete. Like other hon. members I have received the usual, or in this case the almost unusual, number of letters advocating the removal of this tax. I have answered in every case that as far as I am aware there is no financial argument to be advanced in favour of removing tax at this particular time. I have confessed to those who wrote to me, and I declare now in this house that I am impressed by the argument that there is a moral side to the question which in my opinion transcends the importance of the tax value at the present time. I can have no idea what the situation would be in the way of increased distribution of these beverages without knowing the facts as to the future distribution of glucose and sugar, which are the primary ingredients used by the manufacturers. I am not impressed by the suggestion made in some letters of possible political repercussions on the younger generation to be created by the removal of this tax.

I am sorry if my good friend the hon. member for New Westminster thinks me a sentimentalist. Perhaps I have not become as hardened as he professes to be to sentimental appeals, having received them over a smaller number of years than he has, but I am impressed by the appeals. I have had some experience and have knowledge of the nature of the social gatherings of young people. While we may not be able to establish as a temperance argument that seven cents for a soft drink is too close to the ten cents for a beer, still there is a social question involved in the taxation. I have seen the benefits of youths' organizations. A considerable part of their social activities is associated with the availability of these soft drinks, and I would urge, together with others who have succumbed to these appeals, that the minister, even at this time, be less statistical and less concerned with the economic side of this matter, and review it again seriously, bearing in mind its social implications.

Mr. BURTON: When I tried to get the floor a moment ago I had hopes that I could take a middle course between the views of the hon. member for Vancouver South and those of the hon. member for New Westminster. I believe there is a good deal of truth in what both of them have said. Like other hon. members I have received quite a number of communications regarding this tax. While agreeing with what the hon. member for New Westminster said, that some check-up should be made as to the ingredients in some of these soft drinks, I feel that it is not the duty of the Minister of Finance to deal with that; no doubt it comes under another department.

Mr. REID: I said so.

Mr. BURTON: I would say to the Acting Minister of Finance that I do not hesitate to tell those who write to me that in my opinion the two per cent tax is excessive.

Mr. JACKMAN: Forty per cent.

Mr. BURTON: It is altogether out of reason. During the time these letters have been arriving in the offices of members of parliament, the number in my mail dealing with this matter has run from twelve to fifteen or more per day. Many dozens of communications have been received by me from people in my constituency who are concerned about this tax. What I told my people back home when I had an opportunity to speak to them on a number of occasions was this, that while I agreed that the tax was excessive, and that as the budget had not been brought down at that time we would have to wait and see what the Minister of Finance would do, I was disappointed in the attitude of our people when I got dozens of letters with regard to this tax on "pop" and did not get one single letter protesting the removal of the two cent subsidy on milk. It gives you some insight into the line of reasoning and thought in the minds of some people. When the two cent subsidy on milk was removed nobody was concerned, so far as my mail would indicate.

Mr. JACKMAN: Come down to Toronto.

Mr. BURTON: But when it came to "pop"—

Mr. IRVINE: "Pop goes the weasel."

Mr. BURTON: It went! With the hon. member for Vancouver South and others who have brought it to his attention, I would urge upon the minister that something be done to remove or reduce this excessive taxation, and at the same time that he advise his colleague in whatever department is concerned that in the opinion of many of us there should be some check-up of the ingredients in these soft drinks.

Mr. McKAY: I should like to say a word in support of what the hon. member for Vancouver South has just said. I am not in agreement with the hon. member for New Westminster when he says this whole matter needs investigation. As a matter of fact, medical authorities in the United States have investigated these drinks again and again, and I have yet to see a report which is derogatory.

Mr. MACKENZIE: Oh, yes; we had one, when I was minister of health.

Mr. McKAY: I have yet to see one. It seems to me that this is a matter of comparative values. Young people are drinking these soft drinks, and they are being sold at booths at every picnic throughout the country.

Mr. GREEN: And right here in the house.

Mr. McKAY: And right here in the house. People will drink these beverages. At the present time the tax on a bottle of pop amounts to 40 per cent. In the cafeteria we pay seven cents a bottle. So far as I am concerned I do not care if the use of these beverages is abolished entirely—I mean as far as the soft drinks are concerned.

Some hon. MEMBERS: Hear, hear!

Mr. McKAY: But in these days, Mr. Chairman, when there is a considerable effort on the part of organizations throughout the country to combat juvenile delinquency occasioned by the consumption of hard liquor, I think we should at least pave the way to providing them with beverages which are not as harmful.

Mr. REID: That may be the start of it.

Mr. McKAY: To meet the minister half way, I say "as harmful". I admit that the consumption of soft drinks has increased, but so has our population increased, and it is natural that with the increase of population the demand will increase. Also there is more money for people to buy drinks which otherwise might be considered as luxuries. Young people are consuming too much hard liquor; that is freely admitted; and if we can get them off the desire to use hard liquor by drinking a beverage which is not quite as harmful—if you like to put it that way, and I will grant the argument of the Minister of Veterans Affairs that probably it is harmful where it is not bottled under proper health regulations.

Mr. GREEN: He does not know anything about it.

Mr. McKAY: But that is not the argument. Every effort should be made to provide young people with these beverages at as low a cost as possible.

I am not concerned entirely with that, Mr. Chairman. It seems to me that there is another tax which we should have removed, and that is the tax on chocolate bars.

Mr. ABBOTT: May I interrupt my hon. friend a moment? I agreed a little earlier when a question was asked that it might be appropriate to have some discussion of the soft drink tax, because I know it is one concerning which hon. members have received a great many letters. There has been a very carefully organized campaign.

[Mr. Mackenzie.]

Mr. GREEN: Don't put it on that basis.

Mr. ABBOTT: I do not suggest that the letters are not sincere, but I know something of the background of the thing. However, we have had a very fair discussion, and I must insist that we do not go beyond this soft drink tax. I have a few observations to make on it, which will be brief, when the various members who wish to express their views have done so. But I do ask you, Mr. Chairman, to restrict the discussion. We are on a section dealing with the stock transfer tax, and we are talking about the soft drinks tax.

Mr. MacNICOL: Do not put a tax on the beverage of the hon. member for New Westminster—cold water.

The CHAIRMAN: I understood that there would be a limited discussion of the soft drinks tax. There has been quite a considerable discussion. Is it now the wish of the committee to hear the minister?

Mr. ZAPLITNY: As one of the younger members of the house I wish to lodge a protest against all this talk about juvenile delinquency and the drinking of hard liquor. Listening to the discussion to-day one would think it was only the young people who do the drinking in this country. I believe that the greater proportion of drinking is done after the age of twenty-one. I have no objection to removal of the tax—it might be an advantage—but I would ask the minister, who has probably had some representations from the various bottling companies, whether he has had any assurance that if the two-cent tax is taken off the drinks will be sold at five cents as before. In the correspondence that I have had I have not been able so far to get that assurance, and it is an important question. If it is only a matter of removing the tax and keeping the price where it is, or reducing it one cent, there is not a strong case, but if it means a nickel drink, that is a recommendation for it.

Mr. ABBOTT: On the last point, the Coca Cola people would give such an assurance, but there are a great many other bottlers and I do not know whether it is possible or feasible to get an assurance from them. Even if the tax were removed this year, however, it would not result in an added supply of soft drinks, because that is something that is controlled by the amount of sugar, which is in short supply, and every soft drink manufactured on the sugar quota is snapped up as fast as it gets into the hands of the vendors. There will be no added supplies available for soft drinks. The second point is this. Representations were made by the bottling companies—strong representations, I may say—and

it was felt that the tax should not be removed this year. Consequently there is no resolution providing for it.

Mr. SHAW: There is one matter to which I should like to call the attention of the minister, but first I may say that I have not received a great many communications with respect to the tax on soft drinks. In the city of Red Deer we have an establishment owned by an individual and engaged in the manufacture of soft drinks. I have visited his establishment within recent months. I have looked into his books. I find he has an investment of approximately $20,000. At the outbreak of the war he employed nine persons, and during the early years of the war a number of his employees enlisted. To-day, primarily because of the sugar quota, three persons working part time are able to manufacture all that the sugar quota will permit. But the argument is this. He has a tremendous overhead as a consequence of capital invested in his establishment. Even at the present retail price he cannot secure sufficient from what he manufactures and sells to meet the cost of maintaining his establishment. I have checked his books with an accountant, and we find that there is a possibility of his having to close the establishment. He started from nothing, one might say. He built up his little enterprise, and goodness knows we have so few of these manufacturing establishments in the west that it is most unfair. I do not know whether the minister has considered the matter from this point of view, but even manufacturing all he can with his sugar quota, and paying the tax, there is a danger of another small industry having to close its doors.

Mr. MACDONNELL (Muskoka-Ontario): This has been a notable debate and I wish to make a short addition to it. It is a remarkable thing to have heard two Scotsmen united in praising the drinking of water.

Mr. GREEN: They didn't mean it.

Mr. MACDONNELL (Muskoka-Ontario): In the second place, without labouring the point, it seems to me that when the matter is being considered at another time, if the tax could be reduced from the present high level it might be a good thing.

Mr. HARKNESS: The hon. member for New Westminster comes from a race that waxed great through the plentiful supply of Scotch whisky, and I can understand his contempt for the "pop" drinker, which I may say I share. The fact remains however that in this country drinking in one form or another is a social custom, whether it be tea or coffee or soft or hard drinks. It is a confirmed habit which all sorts of people, people of all ages, take part in. This being so, the tax of two cents a bottle on soft drinks imposes an altogether undue hardship on the younger generation, who are the chief consumers of soft drinks. If it is in any way possible, I should like to see the government modify or remove the tax.

Mr. ABBOTT: I can assure all members of the committee that I am conscious of the problem involved in this tax on soft drinks.

Mr. WRIGHT: I do not intend to pursue the question of soft drinks, but there is another matter I should like to discuss.

Mr. ABBOTT: I allowed soft drinks to come under security transfer taxes, but surely we should stop there.

Mr. WRIGHT: The question I wish to raise is one in regard to which I have had a great many letters and objections. I refer to the two-cent tax on gasoline.

Mr. ABBOTT: We cannot allow that.

Mr. WRIGHT: It is much more important from the point of view of the country's economy than the question of soft drinks.

Mr. JACKMAN: Getting back to the subject matter of the resolution, does this tax also apply to American securities?

Mr. ABBOTT: If transferred here. If the change of ownership takes place in Canada, yes.

Mr. JACKMAN: Is the minister sure it would not apply if the order were placed in Canada and executed in another country?

Mr. ABBOTT: There would be a legal question involved there, and I do not know that I am prepared to answer offhand. The test is whether the change of ownership took place here. My hon. friend's solicitor would be able to advise him.

Mr. JACKMAN: It is cheaper sometimes to get an opinion for the taxpaying public here than elsewhere. However, may I ask the minister this question. I understand there are two sets of tax inspectors, one for the dominion and one for the province. Has any consideration been given to endeavouring to have an arrangement to simplify that procedure? Am I correct in my original premise that there are two sets?

Mr. ABBOTT: I understand there is no definite arrangement worked out. There has been some difficulty getting cooperation with the province on some matters, and I cannot say definitely.

Mr. JACKMAN: There would be a substantial saving to some taxpayers.

Mr. ABBOTT: The question has been discussed.

Mr. JACKMAN: I hope the minister will do all he can to bring about coordination and the saving of costs.

Mr. ABBOTT: I will do that.

Mr. WRIGHT: I understand, Mr. Chairman, it is not your wish that I should pursue at this stage the question which I raised, but I would ask the minister to tell me at what stage in the budget resolutions, or under the bills, we may be permitted to discuss that matter. It is an important one.

Mr. ABBOTT: I know of no opportunity under the budget resolutions which would be afforded the hon. gentleman. The appropriate time at which to discuss general matters is in the budget debate. When we get into committee we are supposed to consider the specific matters in the resolutions that are being discussed. There are two or three opportunities afforded in the course of the session to discuss matters of that kind—one on the address, one in the budget debate, and still another on one of the supply items. My hon. friend can discuss it on the estimates of the wartime prices and trade board, which I shall have the unfortunate duty of trying to guide through the house. At any rate, the question is not one that can be discussed on this resolution.

Mr. WRIGHT: So long as we have the assurance that we can discuss in on the estimates, I shall be satisfied.

Mr. ABBOTT: The hon. member cannot discuss it here.

Resolution agreed to.

2. That the present graduated excise tax on cigars be changed to an ad valorem tax of 25 per cent;

Mr. ABBOTT: This is a comparable tax. It deals with the tax on cigars, and was explained when I was dealing with the resolution under the Excise Act.

Resolution agreed to.

3. That any enactments founded in resolutions Nos. 1 and 2 shall be deemed to have come into force on June 28, 1946, and to have applied on all goods imported or taken out of warehouse for consumption on or after that day and to have applied to goods previously imported for which no entry for consumption was made before that day;

Resolution agreed to.

4. That the rate of premium tax payable by mutual insurance companies other than life insurance companies and companies carrying on business under the premium deposit plan be reduced from 3 per cent to 2 per cent, and in the case of exchanges from 4 per cent to 2 per cent in respect of premiums received after December 31, 1946;

5. That the rate of premium tax payable by insurance companies carrying on business under the premium deposit plan be reduced from 4 per cent to 3 per cent in respect of premiums received after December 31, 1946; and

Mr. ABBOTT: I have a brief explanation to give here, and in a moment I shall ask one of my colleagues to move an amendment. These resolutions are related to resolution fourteen under the Income War Tax Act, under which it is proposed to withdraw the exemption from income tax at present applying to mutual insurance companies other than life insurance companies. The removal of this exemption from income tax is in accordance with the recommendations of the McDougall commission. In view of the fact that these mutual insurance companies will no longer be completely exempt from tax, a reduction is being proposed in the premium taxes under the Special War Revenue Act applying to these companies.

The amendments to resolutions 4 and 5 which I shall ask one of my colleagues to move are the result of further consideration of premium taxes since the budget was introduced. I had a large number of representations on this point, including representations from the hon. member for Stanstead who is unable to be here this afternoon. What is being proposed now can be summed up in three statements. First, the base on which premium taxes will be levied in future will be uniform for all classes of insurers, and the basis will be net premiums as distinct from gross premiums. Second, there will be a uniform rate of two per cent applying to all classes of insurers with two exceptions; third, the two exceptions are insurers under Lloyds and reciprocal insurers otherwise known as exchanges. These two classes, it is believed, will not be subject to corporation income tax in Canada, and because of this fact the premium tax in their case will be three per cent in place of the general two per cent. I will ask my colleague, the Minister of National Revenue, to move an amendment to resolutions 4 and 5.

Mr. McCANN: I so move.

The CHAIRMAN: The amendment is as follows:

Resolved that resolutions Nos. 4 and 5 be struck out and the following substituted therefor:

4. That the base to which premium taxes apply in respect of premiums received after December 31, 1946, shall be as follows:

(a) In the case of a company transacting life insurance the gross premiums received by the company other than the consideration received for annuities, less premiums returned and less the cash value of dividends paid or credited to policyholders, and

(b) In the case of any other insurer the gross premiums received or receivable by the insurer or paid or payable by the insured, less dividends, rebates and return premiums paid on the cancellation of policies;

5. That the rate of premium tax payable by all insurers (other than an association of persons formed on the plan known as Lloyds and an exchange) shall be 2 per cent on premiums received after December 31, 1946; and in the case of an association of persons formed on the plan known as Lloyds and of an exchange the rate of premium tax shall be three per cent on premiums received after December 31, 1946.

Amendments agreed to.

Resolutions as amended agreed to.

6. That a deduction be allowed to insurance companies from the premium taxes payable under the Act of the taxes on premiums, paid to the Government of any province in respect of premiums received after December 31, 1946.

Resolution agreed to.

CUSTOMS TARIFF

Mr. ABBOTT: We shall now deal with the tariff items. The budget resolutions contain thirty-five items amending schedule A to the customs tariff. Twelve of the thirty-five items permanently continue tariff reductions already established under order in council. Fourteen of the thirty-five items were in the budget resolutions of October 12, 1945, which were withdrawn on November 12, 1945. The remaining nine consist of new items or amended existing items. These resolutions also delete from the Customs Tariff Amendment Act the sections which provide for additional duties on tea and coffee. Orders in council passed under the War Measures Act suspended the additional duty on tea on March 20, 1942, and on coffee on December 8, 1942. These additional duties were eliminated in order to reduce subsidy payments on imported tea and coffee. None of the items in these budget resolutions is of any worth-while bargaining value for trade agreement negotiation purposes, and a number of these changes facilitate administration and eliminate existing tariff anomalies.

Mr. MACDONNELL (Muskoka-Ontario): Will the minister make a further statement with regard to these items, which I understood him to say were in the proposed changes of last October, were then withdrawn and are now reintroduced? In particular will he inform the committee more fully with regard to these, and indicate whether they have been reviewed by the tariff board and come here on their recommendation?

Mr. ABBOTT: The items which were in the budget resolutions of October 12, 1945, are as follows: Item 72e, bent grass seed; 90e, frozen vegetables, 197d, stencil paper; 208, boracic acid, et cetera; 219e, Chloropicrin, et cetera; 272b, paraffin wax; 326e, glass tops; 438b, motor vehicle parts; 438c, motor vehicle parts; 438d, motor vehicle parts; 462a, camera parts; 616, latex; 653, brushes; 703, travellers' baggage. I am advised that these all involve reductions or minor amendments to clarify for administrative purposes.

Mr. IRVINE: No increase?

Mr. ABBOTT: No. These have not been considered by the tariff board. As my hon. friend knows, it has not been functioning actively since the first year of the war.

Mr. MACDONNELL (Muskoka-Ontario): The minister has enumerated the ones which are reintroduced, but he has not told us what I should like him to tell us, namely, why they were taken off last autumn and why they are on now. What has affected the situation? I should also like him to tell us why the tariff board is not functioning. I had the idea that we had one of the most expert chairmen in existence, and I should like to know why we have not the benefit of his judgment on these items.

Mr. ABBOTT: I am advised that regular tariff changes are not referred to the tariff board, but only special cases. The other question my hon. friend asked was why the changes were withdrawn last October and brought in again now. He may recall the circumstances. The Minister of Finance had one item in his tariff proposals which aroused some controversy. He withdrew that, and at the same time withdrew all the items. That one, I think involved some tariff increase, so that at the time he thought he would look at the whole thing again and he withdrew the tariff increase as well as these adjustments and reductions.

Mr. MACDONNELL (Muskoka-Ontario): If I may say so, the minister has stated some facts, which I am sure are correct, but I still suggest he has not answered my question. I do remember that the facts were as he stated; but in respect to the one matter in doubt last autumn, as to which there was some disagreement, that is all we were allowed to know last autumn. I think it would be of interest if we could know why the tariff board has not been consulted, since apparently that was not done. This is such a world of experts now I thought

we did everything on the advice of experts, but apparently this is where the amateurs have stepped in. Personally I believe in amateurs; I do not like to be wholly handed over to experts, though I like the experts too. I should like to know why they have been dispensed with in these important matters.

Mr. ABBOTT: There are a number of experts; I have one tariff expert in front of me at the moment.

Mr. MACDONNELL (Muskoka-Ontario): I again suggest, with all the deference due from an ordinary member to a minister, that my question has not been answered.

Mr. ABBOTT: Perhaps my hon. friend would repeat his question. I am at a loss as to just what it was.

Mr. MACDONNELL (Muskoka-Ontario): I think the reason the minister is lost—

Mr. ABBOTT: The hon. gentleman wants to know why this was not submitted to the tariff board?

Mr. MACDONNELL (Muskoka-Ontario): Yes.

Mr. ABBOTT: To answer shortly, because the tariff board has not been functioning since the first year of the war, except on appeals.

Mr. MACDONNELL (Muskoka-Ontario): But that is not an answer as to why these changes are made.

Mr. ABBOTT: I answered that before by saying I am told that in any event only special cases were submitted to the tariff board. Ordinary tariff changes were not submitted.

Mr. MACDONNELL (Muskoka-Ontario): The minister did answer that part of my question, but he has not given as yet any explanation at all as to any of these items. I am not going to weary the committee by going through them in detail but I suggest the minister might take some spot items here and there.

Mr. ABBOTT: I can do that. It is a lengthy list, but I have a book here containing complete explanations of all items. Take tariff item No. 4, which relates to horses. This happens to be a new item. This item formerly provided for "horses, over one year old, valued at $100 or less per head" and carried rates of $10 per head under the British preferential tariff, $12.50 per head under the intermediate tariff, and $25 per head under the general tariff. The new item eliminates the words "over one year old, valued at $100 or less per head" and substitutes therefor the abbreviation "n.o.p."

[Mr. Macdonnell.]

Item 1 provides for duty free entry from all countries of pure bred horses for the improvement of stock. Item 4 covered horses over one year old valued at $100 or less per head and all other horses were included under item 5(c), the item covering living animals, n.o.p., duty free under the British preferential tariff, with a rate of 20 per cent under the intermediate tariff and 25 per cent under the general tariff. Under the present amendment all horses, except pure bred horses for the improvement of stock, are dutiable at rates of $10—$12.50—$25 each.

This amendment facilitates the administration of the revised warehousing regulations issued by the Department of National Revenue on April 1, 1946. Under the former regulations it had been the practice of the Department of National Revenue to grant a racing bond for a period of ninety days to United States horses racing in Canada. This bond could be renewed when the horse moved from one track to another. At the end of the racing season the horses could be transferred to a feed and pasture bond which was good for twelve months. When the next racing season came along they could be transferred back to a racing bond, and so on indefinitely. The new regulations which went into effect on April 1, 1946, reduce the privileges enjoyed by race horse owners. If a horse leaves Canada to take part in a race in the United States it has to remain out of this country for three months before it may be reentered and bonded. It is permissible under the new regulations to transfer a horse racing in Canada from a racing bond to a feed and pasture bond, but it is not permissible to transfer from a feed and pasture bond to a racing bond without an intervening period of three months. A horse may remain under a feed and pasture bond for a period of not longer than nine months. When a horse is on a racing bond it must be transferred to a feed and pasture bond or returned to the United States where it must remain for a period of three months before reentering Canada.

Many of the horses which were in Canada on April 1, 1946, were United States horses owned by Canadians and were on a racing bond or a feed and pasture bond. When the bond expired these horses had to leave Canada or the owners had to clear them through customs by paying a duty of twenty per cent ad valorem, as in practically all cases they were over one year old and valued at over $100 each. Under the new item they may become Canadian horses by the payment of a duty of $12.50 each. It is probable that most

race horse owners will discontinue the bonding of horses and pay the customs duty at the time of their first entry into Canada.

Mr. MACDONNELL (Muskoka-Ontario): I thought that a very interesting explanation indeed, and I should be still more interested if the minister would say a further word as to just how much longer the tariff board is to be out of action, and when we are again going to have the services of the people we ordinarily consider to be our tariff experts.

Mr. ABBOTT: I should like to answer that, Mr. Chairman, but I cannot do so at the moment.

Mr. HERRIDGE: I do not know whether I am in order in asking this question, but the hon. member for Medicine Hat and I have been consulting this schedule and we are about as much in the dark now as when we started. I come from a constituency which produces large quantities of cedar and fir poles, and pit props for use in mines, both of which are in great demand at the present time. A machine has been invented to peel these poles and props, which I believe costs between eight and ten thousand dollars. I understand it is not produced in Canada and has to be imported from the United States, and that involves the payment of considerable duty. This machine speeds up production tremendously, and I should like to ask the minister the reason for charging such duty on this type of machine, which can be procured only in the United States and which is of such great assistance in this industry. In my constituency I have a number of producers who would like to purchase these machines, but when you consider that they cost from eight to ten thousand dollars, plus the duty, that is a very heavy investment for a small operator to make; in my opinion they should be duty free. Could the minister give me any information on this matter?

Mr. ABBOTT: There is no item in these resolutions, of course, which covers any article such as my hon. friend has referred to. Frankly I confess that I am a long way from being a tariff expert, and I do not know that I am in a position to answer his question very informatively. I am advised that no representations have been made to the department with respect to the particular case to which the hon. member refers.

Mr. HERRIDGE: I have made representations.

Mr. ABBOTT: I appreciate that. I meant that prior to my hon. friend making this statement in the committee, no representations have been made to the department.

Mr. HERRIDGE: I made representations in writing to the Department of National Revenue some months ago.

Mr. ABBOTT: Well, they have not been passed on to this department. However, my hon. friend has raised the matter and I will see that it is looked into at once. As I understand my hon. friend's question, he is suggesting that there should be no tariff on an item of that kind under the circumstances. I can only say in reply that as it stands at present the law is that on machinery of a class and kind not made in Canada there is a ten per cent duty.

Mr. MacNICOL: May I suggest that these tariff items be called one at a time? Most of them require no discussion, and I think we will get through very much quicker.

Mr. ABBOTT: I agree; I think that is about the only way we can hope to make headway. The first item is the one I have already discussed.

Customs tariff—4. Horses, n.o.p., each: British preferential tariff, $10; intermediate tariff, $12.50; general tariff, $25.

Mr. JACKMAN: When we have no representations from our constituents we sometimes do not give as careful attention as we might to these matters, because we believe no problems have arisen. In this connection, however, after what the minister said I was wondering whether or not it was the desire of the owners of race horses in Canada to keep them under United States registry, so that in due time they might perhaps sell them in the United States and thus avoid heavy import duties into that country, particularly if they were United States horses to begin with. Have any representations been made that the present change will not work satisfactorily?

Mr. ABBOTT: I am advised that this does not affect their position in that respect. It simply permits them to move horses freely back and forth between Canada and the United States. There is really an optional procedure available to them. They can either go through this elaborate bonding procedure, or pay this $12.50 per head.

Mr. HARKNESS: It gives the horses dual citizenship.

Mr. ABBOTT: That is one way of putting it.

Mr. McLURE: Does it affect standard bred racing horses? I understand that they come in from New York and Massachusetts to race in Canada. They can go back, without any payment of duty, within a week.

Mr. ABBOTT: If they are bonded they can do that. They have been able to do so in the past; there is no change now.

Item agreed to.

Customs tariff—72e. Bent grass seed, not to include red-top grass seed: British preferential tariff, 15 per cent; intermediate tariff, 30 per cent; general tariff, 30 per cent.

Mr. MacNICOL: Where does bent grass come from?

Mr. ABBOTT: I am advised that most of it comes from the west coast in the United States.

Item agreed to.

Customs tariff—90e. Vegetables, frozen: British preferential tariff, 10 per cent; intermediate tariff, 25 per cent; general tariff, 30 per cent.

Mr. JACKMAN: Where the items show that the present rates are the same as the contemplated rates, after the change, what is the purpose of putting that in?

Mr. ABBOTT: I would point out that in connection with item 72e, for instance, the words "not to include red-top grass seed" have been added to the item. In many instances the description of the item is changed, although there may be no changes in the rates of duty.

Mr. JACKMAN: In connection with this item, I am wondering why the minister would wish to lower the rates on frozen vegetables. The frozen vegetable business is now growing extensively in Canada. It runs into hundreds of millions of dollars in the United States, and is now beginning to take hold in this country. Despite that fact, we find a lowering in the tariff. It is not as though frozen vegetables consisted only of early varieties. Vegetables once frozen will keep indefinitely, and I am wondering why the tariff should be lowered.

Mr. ABBOTT: My hon. friend will be relieved to know that this is a manufacturers' item, and that it is satisfactory both to importers of frozen vegetables and to freezers of vegetables in Canada. There are at least three firms engaged in freezing vegetables in Canada, and it is on their suggestion and with their approval that the item appears.

Item agreed to.

Items 143, 168 and 168a agreed to.

Customs tariff—180e. Engineers' plans, drawings or blue-prints of machines and plant equipment, plant layouts, foundations for machinery and other plant equipment, structural supports and towers and similar outside structures, dams, spillways and other hydro construction, wiring, piping, platforms, ladders, stairs, etc., not to include office or other buildings: British preferential tariff, free; intermediate tariff, free; general tariff, free.

[Mr. McLure.]

Mr. MacNICOL: Perhaps it would be wise in many instances to permit these blue-prints and drawings to come in free. But what safeguards have our own engineers and draughtsmen in connection with the drawing up of plans on plants, and the like? Our own universities and schools are turning out large numbers of draughtsmen.

Mr. ABBOTT: I do not know that our engineers need protection in this respect. I believe it was really only an added cost on production, and it would seem that this would be a satisfactory item to have on the free list.

Mr. MacNICOL: These items, according to this schedule, are to come in free.

Mr. ABBOTT: They are to come in free under this schedule, although they were not before. The old rates were 12½ per cent, 22½ per cent and 22½ per cent.

Mr. MacNICOL: What protection do our own draughtsmen have?

Mr. ABBOTT: They will have none, after this item is passed. It is felt they will not need protection for this type of article.

Mr. MacNICOL: If I wish to build a plant in Canada, but fancy the lay-out of a plant in the United States I might inquire from the plant owner as to whom he had purchased his plans from. He would probably give me the name of the architect who had drawn up the plans for his factory. If I ask that architect to draw me a duplicate set of plans and specifications am I permitted to bring them in free.

Mr. ABBOTT: This does not apply to architects' plans for buildings. It applies to engineers' plans, drawings or blue-prints of machines, and so on.

Mr. MacNICOL: It refers to plant layouts.

Mr. ABBOTT: They will be free.

Mr. MacNICOL: I can bring in a plant layout free?

Mr. ABBOTT: Yes, free.

Mr. MacNICOL: Have the Canadian architects approved that?

Mr. ABBOTT: It is not a matter for architects, but rather one for engineers.

Mr. MacNICOL: Plant architects and engineers are often the same. Evidently they do not know about it, or they would be up in arms.

Item agreed to.

Items 192f, 197d, 199i and 208 agreed to.

Customs tariff—219e. Chloropicrin, ethylene oxide, methyl bromide, methyl formate, cyanides, carbon bisulphide, acrylonitrile, or mixtures containing any of these, for use in combating destructive insects and pests: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. MACDONNELL (Muskoka-Ontario): I note that under the column showing the present rate there are two rates indicated. What does that mean?

Mr. ABBOTT: I am told there have been some new items added in this general item, some of which had tariff rates under the tariff as it now stands. They are being included in this item respecting chloropicrin, and all are being put on the free list.

Item agreed to.

Items 272b, 272c and 326e agreed to.

Customs tariff—326k. High thermal shock resisting glass parts when imported by manufacturers of high thermal shock resisting glassware, for use exclusively in the manufacture or in the repair of such articles, in their own factories: British preferential tariff, free; intermediate tariff, free; general tariff, 25 per cent.

Mr. ABBOTT: I have an amendment which I shall ask my colleague to move.

Mr. ST. LAURENT: I move:

That schedule A to the Customs Tariff as amended by resolution No. 1 of June 27, 1946, be further amended by striking thereout tariff item 326k and by inserting in lieu thereof the following item, enumerations and rates of duty:

"High thermal shock resisting glass parts when imported by manufacturers of high thermal shock resisting glassware for use exclusively in the manufacture or in the repair of such articles: British preferential tariff, free; intermediate tariff, free; general tariff, 25 per cent."

The only change made by this amendment is the deletion of the words "in their own factories".

Amendment agreed to.

Item as amended agreed to.

Customs tariff—434c. Trucks of welded design with tubular frame, cast steel cross members, rubber mountings and rubber inserted wheels, of a class or kind not made in Canada, and body shells of welded sheet steel, for use in the construction of street railway cars, not to include electric motors or magnetic truck brakes; complete parts of the foregoing: British preferential tariff, free; intermediate tariff, 10 per cent; general tariff, 35 per cent.

Mr. CAMPBELL: What is this thirty-five per cent for? Is it for protection or revenue? What revenue has the department obtained from this item?

Mr. ABBOTT: This refers to trucks for street-cars. There is a reduction in the intermediate tariff from thirty per cent to ten per cent.

Mr. CAMPBELL: The minister has not answered the question. I wanted to know if this item was put in for the purpose of getting revenue or for protection. If it is put in for revenue purposes, how much was received last year?

Mr. ABBOTT: To the extent that there will be a 10 per cent duty, I suppose there would be a protective feature, but at that low rate it is primarily for revenue purposes. I do not suppose we import them very often, so that there would not be much revenue.

Mr. MacNICOL: It would only be city street-car companies that would buy them?

Mr. ABBOTT: Yes.

Item agreed to.

Customs tariff—438b. Bearings, clutch release; bearings, graphite; bearings, steel or bronze backed, with non-ferrous metal lining; bushings, graphited or oil impregnated; ceramic insulator spark plug cores, not further manufactured than burned and glazed, printed or decorated or not, without fittings; compressors, air; commutator copper segments; commutator insulating and rings; tapered discs of hot rolled steel, with or without centre hole, for disc wheels; distributor rotors and cam assemblies; door bumper shoes; electric wiring terminals, sockets, fittings and connectors and parts thereof, not to include battery terminals; gaskets of any material except cork or felt, composite or not; ignition contact points, keys for shafting; auxiliary driving control kits, designed for attachment to motor vehicles to facilitate their operation by physically disabled persons, and parts thereof; lenses of glass for head, tail, dome, signal and cowl or parking lamps, and for light reflectors; lock washers; piston ring castings in the rough, with or without gates and fins removed; rails of lock seam section, corners, locks and catches, unplated ventilators and parts thereof, the foregoing being of metal other than aluminum, for the manufacture of window sashes for bus bodies; steel bolts, or studs, capped with stainless steel; switches for lamps, heaters and defrosters and parts thereof; vacuum control assemblies; vulcanized fibre in sheets, rods, strips and tubing; all of the foregoing when of a class or kind not made in Canada and for use in the manufacture or the repair of the goods enumerated in tariff items 424 and 438a, or for use in the manufacture of parts therefor: British preferential tariff, free; intermediate tariff, free; general tariff, 30 per cent.

Mr. WRIGHT: What is the dollar value of the imports under this item? I just want to know what this means to the companies.

Mr. ABBOTT: This item adds certain items to the class covered. I am advised that there is no information as to the value of goods

that will be imported under the additions to 438b, but they probably would not exceed $50,000 annually.

Item agreed to.

Customs tariff—438c. Ammeters; arm rests and wheel housing lining of indurated fibre, pressed to shape; axle housings, one piece welded, machined or not; carburetors and parts thereof; chassis frames and steel shapes for the manufacture thereof; cigar and cigarette lighters, whether in combination with a cigarette holder or not, including base, and parts thereof; control ventilator gear box; cylinder lock barrels, with or without sleeves and keys thereof; dash heat indicators and parts thereof; electric gear shift switches and parts thereof; engine speed governor units and parts thereof; fluid couplings, with or without drive plate assemblies, and parts thereof; front axle cross channel king pin support section assembly of steel, in the rough; fuel pumps, vacuum pumps and combinations thereof and parts therefor; gasoline gauges and parts thereof; hinges and parts thereof, finished or not, for bodies; horns and parts thereof; instrument bezel assemblies and parts thereof; instrument board lamps; locks, electric ignition, steering gear, transmission, or combinations of such locks, and parts thereof; mouldings of metal, with nails set in position, lead filled or not; oil filters and parts thereof; oil gauges and parts thereof; pipe lines of tubing, rigid or flexible, covered or not, with or without fittings, and tubing therefor, for oil, fuel, air or liquid for actuating hydraulic brakes; purifiers for air, and parts thereof; purifiers for oil or gasoline, parts thereof and brackets and fittings therefor; radiator, hood and other grills, assembled or not, and parts thereof, but not polished nor plated, and not to include finish or decorative moulding; radiator ornaments, and hood lift lock ornaments, unplated, and parts thereof; radiator shutter assemblies, automatic radiator water gauges; radiator shells and parts thereof, not plated nor metal finished in any degree; shackles, bearing spring, and parts thereof; speedometers and parts thereof; spring covers of metal and closing strips or shapes therefor; stampings, body, cowl, hood, fender and instrument board, of metal in the rough, trimmed or not, but not metal finished in any degree; starter switch assembly and parts thereof; steering wheels, rims and spiders therefor; sun visor blanks of gypsum weatherboard; thermostats and parts thereof; throttle, spark and choke assemblies, including buttons therefor, and parts thereof; tire clamping rings of steel, plated or not; universal joint ball assemblies; voltage control regulators; wind-shield wipers and parts thereof; all of the foregoing when of a class or kind not made in Canada and for use in the manufacture or the repair of the goods enumerated in tariff items 424 and 438a, or for use in the manufacture of parts therefor: British preferential tariff, free; intermediate tariff, 20 per cent; general tariff, 30 per cent.

(1) Provided, that if the above articles are imported for use as original equipment by a manufacturer of automobiles, motor vehicles, electric trackless trolley buses or chassis enumerated in tariff items 438a and 424 whose total factory output during the year in which importation is sought does not exceed ten thousand complete automobiles, motor vehicles, electric trackless trolley buses or chassis, and provided that not less than forty per centum of the factory cost of production of such automobiles, motor vehicles, electric trackless trolley buses or chassis, not to include duties and taxes, is incurred in the British empire, the rates of duty under this item shall be: British preferential tariff, free; intermediate tariff, free; general tariff, 25 per cent.

(2) Provided, that if the above articles are imported for use as original equipment by a manufacturer of automobiles, motor vehicles, electric trackless trolley buses or chassis enumerated in tariff items 438a and 424 whose total factory output during the year in which importation is sought exceeds ten thousand automobiles, motor vehicles, electric trackless trolley buses or chassis, and provided that not less than sixty-five per centum of the factory cost of production of such automobiles, motor vehicles, electric trackless trolley buses or chassis, not to include duties and taxes, is incurred in the British empire, the rates of duty under this item shall be: British preferential tariff, free; intermediate tariff, free; general tariff, 25 per cent.

(3) Provided that the governor in council may make such regulations, if any, as are deemed necessary for carrying out the provisions of this item.

Mr. WRIGHT: Could I have the same information on this item?

Mr. ABBOTT: It is only an estimate, but the comparable figure would be not to exceed $30,000 annually.

Customs tariff—438d. Front and rear axles; brakes; clutches; internal combustion engines; steering gears; magnetos; rims for pneumatic tires larger than thirty inches by five inches; transmission assemblies; hydraulic or fluid couplings and torque converters; drive shafts; universal joints; steel road wheels; and parts of the foregoing, when of a class or kind not made in Canada, and imported by manufacturers of the goods enumerated in tariff items 424 and 438a for use only in the manufacture of motor trucks, motor buses and electric trackless trolley buses, or for the manufacture of chassis for the same: British preferential tariff, free; intermediate tariff, 17½ per cent; general tariff, 27½ per cent.

(1) Provided that if the above articles are imported for use as original equipment for motor trucks, motor buses and electric trackless trolley buses, or for chassis for the same, by a manufacturer of the goods enumerated in tariff items 424 and 438a, and provided also that during the year during which importation is sought, not less than forty per centum of the factory cost of production of such motor vehicles and chassis therefor, not to include duties and taxes, is incurred in the British empire, the rates of duty under this item shall be: British preferential tariff, free; intermediate tariff, 7½ per cent; general tariff, 27½ per cent.

(2) Provided that the governor general in council may make such regulations, if any, as are deemed necessary for carrying out the provisions of this item.

Mr. WRIGHT: Could I have the figure with respect to this item?

Mr. ABBOTT: Perhaps I might give just a word of explanation here. The only change in regard to this item is the insertion of the words, "hydraulic or fluid couplings and

torque convertors" after the word "assemblies" in the fourth line. These hydraulic or fluid couplings and torque convertors are used on very large trucks and they cost almost $1,500 a unit. They were formerly dutiable under tariff item 438e, which item was duty free under the British preferential tariff and carried a rate of twenty-five per cent under the intermediate tariff and forty per cent under the general tariff. It is almost impossible to form any estimate as to the value of annual imports of this special truck equipment.

Item agreed to.

Items 438i and 442 agreed to.

Customs tariff—445j. Electric dry shaving machines for use in removing human hair, and parts thereof: British preferential tariff, free; intermediate tariff, free; general tariff, 10 per cent.

Mr. MacNICOL: Are any of these made in Canada?

Mr. ABBOTT: I am told that there is at least one company making them.

Mr. MacNICOL: Have they made any representations?

Mr. ABBOTT: They have made no representations against the proposed item; in fact I understand that they asked for it.

Item agreed to.

Customs tariff—446h. Bathtub stampings of metal: British preferential tariff, free; intermediate tariff, 10 per cent; general tariff, 25 per cent.

Mr. MacNICOL: Is this the ordinary bathtub stamping?

Mr. ABBOTT: Yes.

Mr. MacNICOL: Are they not made in Canada?

Mr. ABBOTT: I am told not to any extent.

Item agreed to.

Customs tariff—462a. Photographic cameras and equipment, and complete parts of the foregoing, for use by professional photographers and commercial photo-finishers in their own business, as follows:

Cameras for professional purposes, for making negatives 4¾ inches by 6½ inches and larger, and the following accessories for use with such cameras: lenses, shutters, exposure meters, range finders, film and plate holders, lens hoods, lens boards, ground glass carriages, reducing backs, reversible adapter backs, lantern slide attachments, film sheaths, combination paper and plate holders, kits, carrying cases, camera stands, camera tripods, camera tripod tops, vignetters, diffusion disks, diffusion disk holders, colour filters, colour filter holders, polarizing screens, polarizing screen holders and backgrounds.

Printers, enlargers, heaters, dryers, mounting presses, print washers, automatic film processers printing frames and tanks for developing, fixing and washing: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. GREEN: Will the minister explain this item?

Mr. ABBOTT: The only change in this item is the addition of the words "and complete parts of the foregoing" after the words "photographic cameras and equipment" in the first line. This was one of the items in the budget resolutions of October 12, 1945.

Item agreed to.

Customs tariff—475e. Matrices of non-advertising news pictures for reproduction in newspapers and periodical publications enjoying second-class mailing privileges: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. LENNARD: Does this apply to actual photographs?

Mr. ABBOTT: It does not apply to actual photographs, only what is described as the mat.

Mr. LENNARD: Mats of photographs?

Mr. ABBOTT: Yes.

Mr. LENNARD: If this is some of the trash that comes in it should not be allowed at all.

Item agreed to.

Customs tariff—569d. Woven fabrics, not exceeding two inches in width, made with unserrated selvages, generally known as single, double or four shot corded ribbon, imported by the manufacturers of mens' hats for use exclusively in their own factories in making the bands for, or in binding the edges of, men's hats only: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. MacNICOL: Are these made in Canada?

Mr. ABBOTT: No.

Mr. MacNICOL: They are imported only by hat manufacturers?

Mr. ABBOTT: Yes, for making bands or for banding the edges of men's hats.

Item agreed to.

Customs tariff—616. (iii) Latex, being crude rubber in liquid form, not compounded beyond the addition of preservatives: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. MacNICOL: Shall we be able to ship latex into the United States free of duty?

Mr. ABBOTT: I do not know the provisions of the United States tariff in connection with this item or whether we would ship rubber to the United States.

Mr. MacNICOL: We are making it now at Sarnia.

Mr. ABBOTT: I am told that this is one of those tariff anomalies. The imports during the calendar year 1945 amounted to 215,889 pounds valued at $71,467.

Mr. MacNICOL: We are making it ourselves, but I want to know, if we find it necessary to export in order to keep this new factory at Sarnia in operation, shall we be able to ship into the United States free of duty?

Mr. ABBOTT: If my hon. friend can tell me what the United States tariff policy is going to be, perhaps I could answer him. I do not think this item is on the United States free list now. Whether or not it will be in the future, I could not say.

Item agreed to.

Customs tariff—653. Brushes of all kinds, n.o.p.: British preferential tariff, 15 per cent; intermediate tariff, 30 per cent; general tariff, 40 per cent.

Mr. LENNARD: Why is this item included? There does not seem to be any change.

Mr. ABBOTT: We have added "n.o.p."

Item agreed to.

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

(b) Goods valued at not more than one hundred dollars included in the baggage accompanying residents of Canada returning from abroad after an absence from Canada of not less than forty-eight hours and acquired by them for personal or household use or as souvenirs or gifts, but not bought on commission or as an accommodation for other persons or for sale, under regulations prescribed by the minister: British preferential tariff, free; intermediate tariff, free; general tariff, free.

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

Provided further that goods entitled to entry under this item shall be exempt from all imposts, notwithstanding the provisions of this act, The Customs Tariff Amendment Act, 1939, or any other act.

Mr. STIRLING: What is the change here?

Mr. ABBOTT: This is the item under which residents of Canada returning from abroad after an absence from Canada of not less than 48 hours may bring back duty free goods valued at not more than $100, which goods have been acquired by them for personal or household use or as souvenirs or gifts. The only change is the addition of the last proviso which reads:

Provided further that goods entitled to entry under this item shall be exempt from all imposts, notwithstanding the provisions of this act, the Customs Tariff Amendment Act, 1939, or any other act.

Since the $100 exemption proviso was inserted in the tariff to implement the Canada-United States trade agreement which went into effect on January 1, 1936, new duties and taxes have been imposed, the most important being the additional duties provided by the customs tariff amendments of 1939 on tea, coffee, tobacco and alcoholic beverages. This proviso definitely exempts goods entitled to entry under the $100 exemption from all customs duties and taxes.

Mr. STIRLING: Do I understand that it refers to the contents of a traveller's baggage but not to the baggage itself?

Mr. ABBOTT: A traveller could bring in a piece of luggage, provided that he kept it within the permissible $100 exemption.

Mr. STIRLING: He could buy a suitcase?

Mr. ABBOTT: Yes.

Item agreed to.

Items 709 and 786 agreed to.

Customs tariff—826a. Dies in the rough, not being complete parts of machinery, for use in the manufacture of bolts, nuts, nails, screws, rivets and tacks: British preferential tariff, free; intermediate tariff, 10 per cent; general tariff, 35 per cent.

Mr. MacNICOL: Are these forging dies now being made in Canada?

Mr. ABBOTT: I am told that in some cases there are, but I am also informed that this is what might be colloquially described as a manufacturer's item.

Mr. MacNICOL: I thought as much. It should materially help our die manufacturers, of whom we have quite a number in this country.

Mr. ABBOTT: That is correct.

Mr. MacNICOL: The chairman is well versed in the qualities of good dies.

Mr. ABBOTT: So I understand.

Item agreed to.

Item 836 agreed to.

Customs tariff—847. Distillers' solubles obtained from the liquid residue remaining after the alcohol has been removed in the process of distilling grain or molasses mash, whether or not subjected to a fermentation process, when imported without admixture except that necessary for the said fermentation process, for use exclusively in the manufacture of feeds for livestock, poultry or fur-bearing animals, under such regulations as the minister may prescribe: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. MACDONNELL (Muskoka-Ontario): I notice that the words "under such regulations as the minister may prescribe" are introduced. Is there some special reason why this should be specially protected?

Mr. ABBOTT: I am told that the minister is given power to make regulations in order to ensure that this material is pure and suitable for feed purposes. It is imported for feed purposes. It contains vitamins, or whatever this riboflavin contains, that are supposed to be very good for cattle.

Item agreed to.

That Schedule A to the customs tariff be further amended by deleting from the Customs Tariff Amendment Act, 1939, as amended, the following enumerations of goods and rates of additional duties of customs:

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

(a) is less than 22½ cents per pound—5 cents per pound;

(b) is 22½ cents or more but less than 30 cents per pound—7½ cents per pound;

(c) is 30 cents or more per pound—10 cents per pound;

All goods specified in customs tariff item 25a—10 cents per pound;

All goods specified in customs tariff item 26, except coffee, roasted or ground—10 cents per pound;

Coffee, green, and coffee roasted or ground—10 cents per pound.

Mr. GREEN: Will the minister explain this resolution?

Mr. ABBOTT: This amendment permanently deletes from the Customs Tariff Amendment Act, 1939, the provision therein providing for the imposition of additional duties on imported tea and coffee.

Mr. GREEN: Is that not a pretty good argument for removing the tax on soft drinks?

Mr. ABBOTT: I do not know that there is necessarily any connection.

Mr. GREEN: What is the difference?

Mr. MacNICOL: Everybody drinks tea.

Mr. ABBOTT: I do not know. Speaking personally, I like tea and coffee; I do not care for soft drinks; but that is probably not a very good reason.

Mr. GREEN: I think that is just the trouble. We are a lot of old fogies who drink tea and coffee, and some take drinks a little stronger.

Mr. ABBOTT: They do, eh?

Mr. GREEN: But these soft drinks are drunk by the youth of the country; and I suggest to the minister that he keep that in mind when he brings down the next budget.

Mr. ABBOTT: As my hon. friend will appreciate, the purpose of this remission is to reduce the cost of certain imported articles which are in everyday use and form part of the cost of living, in an endeavour to maintain the price ceiling.

Mr. MacNICOL: We cannot let off the hon. member for Vancouver South with that. All of us are in favour of youth getting soft drinks cheaper. We are not old fogies just because we drink tea and coffee.

Mr. LENNARD: I am not letting off the hon. member for Vancouver South either. He is making an appeal to those who use soft drinks, but he did not include us who may at times enjoy something a bit stronger.

Mr. GREEN: Talk for yourself.

Mr. CASTLEDEN: I want to know if this reduction will be reflected in the price of coffee to the consumer, and, if not, why not?

Mr. ABBOTT: I would not think so. This has actually been off for two years. It is merely putting in statutory form what was done by order in council under the War Measures Act, and if we do not include it in a tariff item now, with the lapse of the Emergency Transitional Powers Act, the remission would fall. There was no change in the price as a result of the order in council, but it prevented an increase in price.

Resolution agreed to.

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

Resolution agreed to.

Schedule agreed to.

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

Judges Act

CONSOLIDATION AND AMENDMENT—SALARIES, ETC.

The house resumed from Monday, July 29, consideration in committee of bill No. 250, respecting judges of dominion and provincial courts—Mr. St. Laurent—Mr. Golding in the chair.

Sections 4 and 5 agreed to.

On section 6—Salaries of district judges in admiralty of exchequer court.

Mr. McLURE: There is an item of $800 for the district judge of the admiralty district of Prince Edward Island. Is that amount the same as before?

Right Hon. L. S. ST. LAURENT (Minister of Justice): Yes. There is no change being made in those additional payments to judges for special duties.

Section agreed to.

On section 7—Salaries of judges of Supreme Court of Ontario.

Mr. ST. LAURENT: The legislature of Ontario adopted a bill providing for an increase of two in the number of judges of the Supreme Court of Ontario on the trial division, the amendment to come into force on proclamation. It has been represented to us, and we have found that the representations were justified by an examination of the facts, that in order to take care of the increasing volume of business in the trial division of the Ontario court it was necessary to increase the number of judges, because undue delays were occurring in the trial of cases in the high court. On the other hand, we represented to the authorities of Ontario that there might be some possibility of reducing below sixty-two the number of county court and district court judges in that province, and the attorney-general with his officials agreed to go carefully into an examination of that situation in an endeavour to bring down from sixty-two to fifty-two gradually, as vacancies would occur, the number of district and county court judges. I can assure the committee that the cooperation between the Department of Justice and the department of the attorney general in that regard has been harmonious, and that on both sides there has been an expressed and sincere desire to arrange the matter of the number of judges there so as to be of the greatest convenience to the public without increasing the expenditure to the country. It is felt that the work which has now to be handled by the county or district court judges could be handled by fewer judges if there were a better distribution of their time and services. Of course it will not be possible to remove judges for the purpose of decreasing the number; but, as vacancies occur, it is the hope that the number of judges of that court may ultimately be brought down from sixty-two to about fifty-two, and I undertook, in my negotiations with the attorney general of Ontario, to ask one of my colleagues to move an amendment to this section 7 which would allow, when the Ontario government has proclaimed its act, the appointment of two additional judges for the trial side of the supreme court of that province. Accordingly I would ask my colleague to move that paragraph (d) of clause 7 be amended by striking out the word "twelve" and substituting therefor the word "fourteen".

Mr. MACKENZIE: I move accordingly.

Amendment agreed to.

Mr. McKAY: Will the minister indicate the number of judges in both provincial and dominion courts that will be affected by the act?

Mr. ST. LAURENT: I have not counted, but my understanding is that there are about 275 judges who are appointed and paid by the federal government.

Mr. McKAY: Will the minister also indicate what the total cost to the treasury will be as a result of this increase in judges' salaries.

Mr. ST. LAURENT: My estimate is between $600,000 and $700,000.

Mr. DIEFENBAKER: I wish to ask the minister a question regarding a matter I brought up on a previous occasion. Now that the salaries of judges are to be materially increased, what is the attitude of the government to be in regard to the whole question of judges serving on commissions, which in the past has meant in many cases substantial additions to the amounts received by judges.

I have raised the point before and I will not labour it on this occasion. I realize that the answer might very well be that they receive no salary in addition to their indemnity as judges. But amounts are paid of $15, $20 and even $25 a day while judges are serving on commissions. I consider it only proper for me to say at this time that the difficulties incident to royal commissions, in which there is any question of political considerations, however remotely they might be connected, have an effect on the judiciary which we, who serve before the judiciary, feel should be guarded against.

I am not going to go into the espionage commission at this moment, but it made a declaration in section 11, I believe, in regard to the powers of commissions, to which I will refer on a later occasion.

Mr. ST. LAURENT: Has the hon. member noticed that there is a special clause, 38, which deals with this? If there is to be a protracted discussion on the point, it might be better to have it on clause 38.

Mr. DIEFENBAKER: I agree absolutely with my right hon. friend, and I mention it again only because I feel that our purpose must be to secure the best men for the bench. While there are those who say that the best men can be obtained at present rates of indemnity, I join with the Minister of Justice in saying that I know men, leaders of the bar, who, within the last year or so in western Canada, never noted for great fees made by its counsel, have refused an offer to go to the bench, and in more than one instance have refused an offer to come to the Supreme Court of Canada.

I realize that we must secure the best men, and when the minister asks for an increase in Ontario to fourteen members on the bench, I would suggest that even then the members of the high court of justice in this province will be overworked. In large measure they are overworked to-day as a result of the tremendous volume of divorce litigation that is before the courts. Only the other day someone told me that in the city of Toronto alone there are 1,200 cases awaiting trial, and the same condition prevails everywhere across the dominion. I have no hesitation whatever in repeating what I said in this house two or three years ago, that some measure along this line ought to be introduced. I am sure I speak for the bar of this dominion when I say that the Minister of Justice has earned not only their gratitude but the gratitude of the people of Canada as a whole for introducing this measure. It may be subject to some criticism because other types of pension are not being raised at this time. I hear that argument advanced. For instance, there is the question of old age pensions. I should like to see old age pensions increased. But this measure is distinct and apart from that question.

This measure is one that strikes at the future of Canada, for, without a bench that is free from the suggestion of any possibility of taint, the administration of justice in this country cannot maintain in the minds of the people the high plane it now occupies. For years objections have been made by the bar association, and I say that one of the striking commendations of this bill is the fact that, without exception to my knowledge, the press of the dominion, realizing that there cannot be a free press unless the courts are untrammelled and are of the highest merit, have given unqualified support to this legislation.

Section as amended agreed to.

Sections 8 to 13 inclusive agreed to.

On section 14—Salaries of judges of Supreme Court of Prince Edward Island.

Mr. McLURE: The other day I asked the Minister of Justice a question with regard to the appeal court. I did not have all the information with reference to the matter. I have an item here which, with the Chairman's permission, I should like to read. It is from the Charlottetown *Guardian* of July 27, and reads as follows:

> Under the provisions of the British North America Act, 1867, certain duties and obligations are imposed upon the province; others upon the dominion. It is the duty of the province, for instance, to declare what courts shall be constituted. This is done in the form of a provincial statute. It then becomes the duty of the dominion government to make appointments to the judiciary so constituted.
>
> Such a statute was passed by the Prince Edward Island legislature in 1922. Chapter 6 of the statutes of that year enacted that "the bench of the said supreme court shall be composed of a chief justice and three other judges". That act was enacted in May, 1922, and was well within the legislative authority of the provincial legislature, under section 92 (14) of the British North America Act, 1867. Section 92 (14) declares that "in each province the legislature may exclusively make laws in relation to matters coming within the class of subjects next hereinafter enumerated, that is to say: (14) The administration of justice in the province, including the constitution, maintenance and organization of provincial courts."

The question I asked the Minister of Justice the other day was how could they constitute a real court of appeal there.

Mr. ST. LAURENT: When I joined the Canadian government I had the advantage of having as one of my colleagues, a brilliant lawyer representing one of the constituencies of Prince Edward Island and one who was much better informed of the situation in that province and of the needs in respect to the administration of justice there than I could be. We made serious efforts over a long period to find some system which would be acceptable to Prince Edward Island in respect of its judiciary appointed by the federal government. It was not found possible to do that unless we added an additional high court judge to the judiciary of that province. It was not felt that it would be proper to do that in view of the fact that there were already three high court judges and three county court

judges there, and that the population was of numbers that are sufficiently provided for elsewhere by at most two judges. As I said to the hon. gentleman the other day, not knowing Prince Edward Island, but knowing the situation which prevails elsewhere, it seems to me that it would be in the interest of the people of that province if they had, rather than three high court judges and three county court judges, four high court judges and two county court judges. I am still hopeful that something along these lines can be worked out, because I appreciate that it would be more satisfactory if a three-man court could sit in appeal from the judgment of a court presided over by one high court judge. On the other hand, I would hesitate to recommend that there be an additional judge appointed for the judicial business to be transacted in that province. I assure the hon. gentleman that the question was considered sympathetically, and that my colleague of those days, Hon. Mr. Ralston, did give it serious consideration and did try to devise some system which would not unduly increase the expenditure and which would be satisfactory to the people of my hon. friend's province. I still hope that that will be arrived at. It may be that this increase in salary will be helpful in that regard. I would not hesitate to recommend that there be four judges paid the increased salaries, provided that there were only two paid at the rate which prevails for county court judges.

Mr. McLURE: I want to thank the minister for that good explanation. While I am not a lawyer, I still think one judge of the county court should be able to sit with the two supreme court judges in the court of appeal, two of them having an increase in salary.

Mr. ST. LAURENT: If that were acceptable to the people of Prince Edward Island they could provide for it themselves by an amendment to their own provincial act. In my province judges of the trial division can be called upon by the chief justice of the court of appeal to sit with the members of the court of appeal to hear appeals. The legislature of Prince Edward Island could provide—if they so choose—that the chief justice of the court of appeal would be entitled to call upon one of the county court judges to sit in his court to hear appeals in the province.

Mr. McLURE: That is the answer to their question, is it not? They ought to be satisfied with that.

Section agreed to.

Sections 16 and 17 agreed to.

[Mr. St. Laurent.]

On section 18—Salaries of judges of county and district courts.

Mr. MacNICOL: I should like to ask a question on this section. I rise not to oppose anything, because I am strongly in favour of the judges receiving more remuneration. I am convinced that we have the best judiciary, perhaps I should not say in the world, but as good as the best in the world, and there is no judiciary better than the one we have in Canada. Why has Ontario sixty-two judges and Nova Scotia only 7; New Brunswick only 6; British Columbia, only 14; Prince Edward Island, only 3; Saskatchewan, only 18; Alberta, only 12, and Manitoba, only 10? In Ontario, where so few people get into trouble, perhaps we do not require so many judges. Why is it that Ontario has so many in comparison with the other provinces?

Mr. ST. LAURENT: A few moments ago I explained that in increasing the number of judges of the high court from twelve to fourteen I had—I will not call it a definite commitment—negotiations with the attorney general of Ontario and his department looking to a gradual reduction of about ten in the number of county court judges. The department of the attorney general feels that it will be possible so to arrange the distribution of the work of the county court judges gradually to bring the number down by about ten.

Mr. MacNICOL: On a basis of population and in comparison with the other provinces he could go still lower, could he not?

Mr. ST. LAURENT: Well, it will be quite a substantial start. The old act provided salaries for seventy-five and we are now down to sixty-two. I hope that, before the act comes before parliament again, we shall be down to about fifty-two. There is a keen desire not to have the courts overmanned, because it is not good for a judge not to have enough to do.

Mr. MacNICOL: The minister is absolutely right.

Mr. McKAY: The minister has suggested a reduction in the number of district or county judges, and I think that suggestion is very good; but is he taking into consideration certain territorial considerations? For instance, some of our provinces have a concentration of population; I have in mind Ontario and perhaps Quebec. It seems to me that when you have a province with a more scattered population it may take more judges to administer the area than where you have a concentrated population. Certainly it would require more

travelling on the part of district and county judges. Is the minister taking that into consideration?

Mr. ST. LAURENT: Yes. Of course we take no initiative in determining the number of judges. We merely discuss the matter with the provincial authorities, because we feel they know better than we do the requirements of their respective localities. I wish to pay tribute to the good will and earnest endeavours I have met with everywhere in discussing a proper set-up for the administration of justice.

Section agreed to.

On section 19—Salaries of judges of circuit court of district of Montreal.

Mr. DIEFENBAKER: Apparently there is to be no increase in the amount allowed these two judges in the city of Montreal. My information is that the reason given is that the jurisdiction of the circuit court has been transferred to the superior court.

Mr. ST. LAURENT: To a magistrate's court set up and manned by the province.

Mr. DIEFENBAKER: Is it altogether fair —and I ask this advisedly—that in regard to two judges in the whole dominion a different rule should apply from that which applies to all the others?

Mr. ST. LAURENT: It does conform to the view I have undertaken to place before the house. I felt I should come before the house and say that this was not something being done for persons, that it was something done because I felt it was necessary or advisable in the interests of the public. I could not say that with respect to these two honourable gentlemen, most of whose work has been taken away from them and attributed to magistrates. They still have some cases within their jurisdiction, but there is very little for them to do and at the present time they cannot retire. When they reach the stage where they can retire they will get an annuity equal to the full salary attributed to their office at the time they were appointed.

Mr. DIEFENBAKER: How long have they been on the bench?

Mr. ST. LAURENT: I think one of them has been there for about fourteen years and the other for about six or seven years. I felt, of course, that I could not ask parliament to take any right away from them, but that I would not be justified in asking parliament to give them, really as a retirement allowance, more than the salaries attributed to their offices at the time they were appointed, because they have practically retired from the exercise of actual judicial functions, though they still conserve the judicial offices.

Mr. DIEFENBAKER: Has the minister given consideration to transferring these men to some position where, instead of waiting for the effluxion of time to bring them a pension, they would be able to give service for what they are receiving?

Mr. ST. LAURENT: I shall be glad to give consideration to that suggestion. I do not know of any office here which could be made attractive to them at this time.

Section agreed to.

On section 20—Travelling allowances.

Mr. ST. LAURENT: I would ask my colleague to be good enough to move an amendment to this section. In drafting section 20 for the bill we did not give sufficient attention to the fact that certain county court judges are appointed for more than one county. The intention was not to deprive them of their allowance when they had to travel out of the county in which they reside. The intention of the clause was that they would not get travelling allowances for performing their judicial duties at the chief place of the county in which they reside, but it was not intended to deprive them of their right to travelling allowance when they had to go to another county where they had to perform judicial functions. I would, therefore, ask that subsection 4 of section 20 be deleted and the following substituted therefor:

(4) No judge of a county court is entitled to be paid travelling allowance for attending in court or chambers at the county town of the county within which he resides or at the judicial centre or district town of the judicial district for which he is appointed.

Mr. MACKENZIE: I move accordingly.

Mr. DIEFENBAKER: What is the meaning of that?

Mr. ST. LAURENT: The meaning is that there must be one town at which the judge has to perform his judicial duties without being entitled to travelling allowances to go to that town. If he has more than one town where he has judicial duties to perform he shall be entitled to travelling allowances for the other towns within which his commission normally requires him to operate. As the section was drawn previously it might have meant that he would not get a travelling allowance for attending at any of the court towns where under his commission he was required to perform his judicial duties. We wish to make it clear that it is only with

respect to the court town of the county in which he resides that he is not entitled to charge travelling expenses.

Mr. HAZEN: Will there have to be an amendment to subsection 5, or does this cover it?

Mr. ST. LAURENT: I do not think any amendment is required there. He is not allowed travelling allowance for travel that is not necessary. If it is travel that is necessary, of course he makes the charge and receives the travelling allowance.

Amendment agreed to.

Mr. McKAY: May I ask the minister just how transportation expenses are calculated? I notice that later in the section there is an allowance for each day while away from home; we have just been discussing that. Does this transportation expense just cover his railway fare, or so much per mile for car operation if he uses an automobile? Does it include anything more?

Mr. ST. LAURENT: It does not include anything beyond transportation and the specified allowance fixed by the statute.

Mr. HAZEN: I have not followed this very closely, but might I ask whether, when a county court judge who has more than one county under his jurisdiction goes to another county, he is allowed travelling expenses.

Mr. ST. LAURENT: He is allowed travelling expenses.

Mr. HAZEN: But as I read subsection 5 it does not say so. It says:

> No judge of a county court is entitled to be paid travelling allowance for attending in court or chambers at a place not within the county—

Mr. ST. LAURENT: That is to take care of cases, which are quite frequent, where a judge goes into a county or district not normally within his jurisdiction to assist a brother judge or to replace a brother judge. In those cases there must be a certificate of the attorney general that the holding of court at that place was approved. But subsection 4 as now amended provides that the judge does not receive travelling allowances for attending at the county town of the county in which he resides. When he is appointed for more than one county, he receives travelling allowances for going elsewhere than to the court town of the county in which he resides.

Mr. HAZEN: Where does it say that?

Mr. ST. LAURENT: In the subsection as amended.

[Mr. St. Laurent.]

Mr. HAZEN: Do we presume that he is to be paid if he goes to another town?

Mr. ST. LAURENT: Yes.

Mr. HAZEN: Is that only a presumption, or is it so stated?

Mr. ST. LAURENT: That is stated in section 20 (1), in these words:

> Subject as in this section provided, a judge of a superior or county court or a district judge in admiralty of the exchequer court who attends as such judge in court or chambers at any place other than that at which or in the immediate vicinity of which he is by law obliged to reside is entitled to be paid as a travelling allowance—

And so on.

Mr. McKAY: It seems to me that this expense account of $10 a day is excessive. Officers of the armed services had to go into cities and towns, and all they were allowed was $6 a day. It seems to me that is enough? I can see no reason for differentiation between a city and a town, because members of the armed services moved in and out of cities and towns, and they were allowed only $6. I believe that is sufficient.

Mr. ST. LAURENT: I have seen accounts which indicate that it costs judges in Ottawa, Toronto, Quebec and Montreal more than the allowance provides. Representations were made that it should be increased. I said that I was not going to ask parliament to do more than to increase the salaries. It happens that they pay a little more than is allowed, but I did not want to ask parliament to make an increase in that allowance. However, I did see hotel bills, and I know that judges who travel almost every month from Montreal to Quebec and who stay at the Chateau Frontenac, and judges from Quebec who stay at the Windsor hotel in Montreal have expenses in excess of $10 a day.

Amendment agreed to.

Section as amended agreed to.

Sections 21 to 24 inclusive agreed to.

On section 25—Compulsory retirement of judges of county court and circuit court of district of Montreal.

Mr. CASTLEDEN: I note that under section 22, which deals with annuity on resignation, such annuity is not to be less than two-thirds of the salary. Under that provision, what would be the largest annuity, on retirement?

Mr. ST. LAURENT: The largest annuity on retirement under this bill will be that to which the chief justice of the supreme court

will be entitled. No change is being made there. His retirement allowance will be equal to the salary of the office at the time he was appointed. That is because he was appointed prior to there being a retiring age fixed. It was felt that having a life tenure of office, and parliament having made the disposition that he could retire at the age of seventy-five, he should not be deprived of the emoluments of office. But in that respect no increase is being made. It was felt that that was a contractual right that it would not be proper to change, but that we were not required to extend it when an increase was being made in annual salaries.

County or district court judges are also required to retire at the age of seventy-five. Under the former act they retired with an annuity equal to full salary. That number of dollars is not being increased. We say we will increase their salaries, but we do not recognize any obligation to increase the retiring allowance to which they were entitled under the present act.

Then the hon. member asked what would be the largest retiring allowance in respect of the other judges. The next largest would be for the puisne judges of the supreme court, who would receive two-thirds of $16,000. All the other retiring allowances are two-thirds of the stated salary.

Mr. McKAY: Has a fund been set up to provide these annuities, and have the judges contributed to such fund, as do civil servants?

Mr. ST. LAURENT: No, there never has been any fund provided for retiring allowances. It has never been on a contributory basis. Our system was borrowed from the British system, and I think it antedates the establishment of superannuation funds for civil servants. It is something we inherited when we inherited the system, and it has been conserved since.

Mr. BENTLEY: I hope it is in order to make the remark I am going to make. I was thinking that the non-pensionable war widows are going to love this.

Mr. CASTLEDEN: When we suggest that annuities should be paid in other cases, the argument in advanced to us that it detracts from a person's self-respect to draw from an annuity to which he has not contributed. But apparently on this level it does not affect them in any way.

Mr. DIEFENBAKER: Recently Mr. Justice Plaxton retired because of illness. Would he come within the provisions of section 22? What would his retirement allowance be?

Mr. ST. LAURENT: His retirement allowance was $4,000, because he had exercised the option provided in the 1944 statute. As the hon. member has noted, there is no attempt here to increase the retiring allowance of those who retired hitherto.

Mr. DIEFENBAKER: I appreciate that.

Mr. McKAY: Is there any retroactive measure with regard to pensions?

Mr. ST. LAURENT: No.

Mr. McKAY: Either for the wife or the judge?

Mr. ST. LAURENT: No. There is nothing being done with respect to judges who have retired hitherto, because it was felt that their annuities were not payable to them under the terms of the statute, but because they had received letters patent granting them stated annuities. The Judges Act, so far as they were concerned, had been exhausted. They had been given what the Judges Act empowered the government to give them, namely letters patent providing a stated annuity. But it was not felt that the process of amending the Judges Act could or should have any effect upon what had been done in the past.

Mr. JAQUES: If a judge retires before the retiring age would that affect his pension?

Mr. ST. LAURENT: I may have to qualify my answer. There is a retiring age only for federal court judges and district and county court judges. The federal court judge is required to retire at seventy-five years. There is no provision for these judges retiring before that time unless they become incapacitated. If they become incapacitated they can be retired and receive a pension equal to two-thirds of the salary attached to their office. A county court judge can retire with pension—this has not been changed—after thirty years of service, payable at the same rate as would be paid if he retired at the age of seventy-five years; that is, a pension of $5,000. After twenty-five years service he can retire, if the lieutenant governor states in the acceptance of the resignation that it is in the public interest that he should retire, with a pension of two-thirds the salary.

Section agreed to.

Section 26 agreed to.

On section 27—Annuity provision in respect to judge taking public office.

Mr. DIEFENBAKER: Perhaps the minister could answer the question which I asked a week or so ago with respect to Mr. Justice Davis, a judge of the court of appeals of Saskatchewan, who since his first appoint-

ment has served, first, on the board administering the Farmers' Creditors Arrangement Act; second, as deputy minister of national war services and, latterly, as minister to Australia. There have been a number of references in the press to the fact that he is to leave the bench to enter the diplomatic service, either in Washington or in London. I would appreciate if the minister would outline exactly what his position would be with regard to pension and the extent to which the period that he had been a judge although not actively serving as a judge would count in the payment of an annuity.

Mr. ST. LAURENT: With respect to Mr. Justice Davis this section will provide, as it has already been provided with respect to the chief commissioner of the Board of Railway Commissioners for Canada, that when he retires from the public service he will be in the same position as if he were retiring from the bench. If he were dismissed from the public service before serving fifteen years from the time of his first appointment to the bench, under the terms of the act he would not be entitled to receive a pension.

Mr. DIEFENBAKER: To be concrete in the matter, Mr. Justice Davis has been eight years as a member of the bench although not actually serving on the bench. If he retires in order to enter the diplomatic service, what will be his pension for the time he was actually appointed to the bench?

Mr. ST. LAURENT: No pension while in the public service and no pension if dismissed from the public service before fifteen years from the time of his original appointment to the bench. But if he retires from the public service at a time when the governor in council might certify that his retirement from the bench was in the public interest he will then receive a pension equal to two-thirds of the salary attached to the office of judge.

Mr. DIEFENBAKER: I am trying to follow that. I presume that if he is appointed to a diplomatic post he will not continue as a member of the bench in Saskatchewan; I presume also that the governor in council will grant him permission to retire as judge. As my right hon. friend knows, if there is one thing more necessary than another it is that a judge serve on the bench to which he has been appointed. In Saskatchewan the court of appeal is made up of five members who necessarily have to deal with abstruse points of law, There should be an odd member on the bench in order to guard against dismissals of appeal because of an equal distribution of opinion on the bench. If Mr. Justice Davis receives a diplomatic appointment, will he then be permitted to retire and what will be his pension? I am asking this question of the right hon. gentleman both in his capacity as Minister of Justice and as Acting Secretary of State for External Affairs.

Mr. ST. LAURENT: He would receive no pension upon being appointed to the service of external affairs and he would receive no pension while in office with external affairs. Upon retirement from external affairs he would be entitled to be granted the same pension as if at the moment he were retiring from the bench.

Mr. IRVINE: In other words, he gets a judge's pension?

Mr. ST. LAURENT: He would get his judge's pension when retiring from the public service if he served another seven years.

Mr. DIEFENBAKER: I think this is an unusual proceeding. It means that we are going to place our judges on the bench where, once appointed, one believes they will serve so long as they have the capacity. We are going to place our judges in the position where they will accept appointments to the bench as a temporary expedient and then, after a few years on the bench, take some other appointment, possibly some semi-political appointment. Then, having served in that capacity for a period of years and finally terminating their services they are able to count not only the period they served as judges but also the period in the public service.

I should like to know the extent to which there has been a demand for this change in the law. I am fearful of the prospect that the separation of judiciary and executive will not be as complete as it should be should parliament give approval to a plan such as this. I would not object if a judge retired from the bench with the consent of the government and then received a pension at the conclusion of his public service for the period that he had actually served on the bench. That would be going a long way, but this is going a long way farther. I should like to know whether it is to cover an ad hoc case, or is it anticipated by the minister that there will be a number of cases such as this where judges retire from the bench after a few years to take up other types of public service where no pension is payable and then, having taken up that other type of public service, be rewarded with a pension as though they had already served on the bench?

At six o'clock the Speaker resumed the chair and the house took recess.

After Recess

The house resumed at eight o'clock.

PRIVATE BILLS

JOSEPH ALPHONSE CHRISTEN

Mr. D. A. CROLL (Spadina) (for Mr. Maybank) moved the second reading of bill No. 311, for the relief of Joseph Alphonse Christen.

Mr. J. W. BURTON (Humboldt): Mr. Speaker, since the Minister of Justice (Mr. St. Laurent) is in his seat at the present time I should like to ask him whether he has given any further consideration to the suggestion he himself made in this house some time ago as to providing other facilities for dealing with these bills.

Right Hon. L. S. ST. LAURENT (Minister of Justice): I should not like the hon. member to be under the impression that I had made a suggestion of another procedure for dealing with these bills. If I had any suggestion to make it would be that parliament refuse to consider them. But since I did not feel that after so many years it would be probable that parliament would take that course, I did say it appeared to me that an alternative course might be for parliament to say that it would not deal with applications for divorce unless there had been, before the application was launched, a judgment of a court of justice establishing, in proceedings for judicial separation as to bed and board, the fact that an offence of adultery had been committed. I did not intend to suggest that I was going to promote proceedings of that kind, but I had discussed that as being an alternative form, a method which would not involve any recognition that divorce was a thing to which one was entitled as a matter of right, but a convenient way of ridding parliament of the onerous duty of hearing witnesses and inquiring into facts.

Mr. BURTON: Who, then, should take the initiative in this?

Mr. ST. LAURENT: Well, so far the other place has been the place where divorce applications originated and where investigations into the facts are conducted. If the hon. members of the other place declined to investigate and declared that they would not do that themselves and would not give favourable consideration to petitions unless they were founded upon the judgment of a court of justice finding that, as a matter of fact, adultery had been committed, and that became known, it would be notice to applicants that it was useless to come there unless they had a judicial finding to support the petition. It seems to me that if the hon. members of the other place were to make it known that was going to be their attitude, and then followed it up by in fact refusing to consider petitions unless there was that kind of documentary evidence to support them, this procedure of investigation would come to an end.

Mr. REID: They have never complained.

Mr. ST. LAURENT: That was the suggestion I made, not as a procedure which I was going to promote, but as one which would appear to me to afford a method—

Mr. BURTON: It would seem very reasonable to me.

Mr. ST. LAURENT: —of ridding parliament of the onerous and disagreeable task of investigating facts in connection with these petitions.

Mr. IRVINE: May I ask the minister—

Mr. DEPUTY SPEAKER: May I remind the house that it is not in committee and that it is unusual to ask questions at this stage. The usual procedure is to give these bills second reading and then refer them to the standing committee on miscellaneous private bills, after which they come back to the house and go to committee of the whole.

Mr. STANLEY KNOWLES (Winnipeg North Centre): May I add a word or two. I think, in all fairness to the Minister of Justice (Mr. St. Laurent), it must be said that he has stated correctly the circumstances and the way in which he made the proposal for a change some time ago. To be perfectly fair, he did not make it as a proposal, but he discussed it with us in committee as a possible alternative to the present procedure. I think the reason the hon. member for Humboldt (Mr. Burton) and others of us rise to speak at such a time as this is that we were conscious of the fact that the minister's suggestion met with pretty general approval, if I am any judge at all, amongst members of the house. It is not a suggestion which goes to the root of the question; some of us might like to see a more complete overhauling of our divorce laws; but it is a suggestion which, without disturbing the general basis which is already accepted, at least would take away the farce that some of us now feel it to be, in this parliament.

Mr. REID: It is no farce. All the cases are investigated. The idea of spreading abroad that this is a farce!

Mr. KNOWLES: The word is on the record and it stands.

Mr. DEPUTY SPEAKER: Order. It is improper to reflect on the proceedings of this house by calling any proceedings in the house a farce.

Mr. KNOWLES: Well, Mr. Speaker, if the way I used that word can be construed as a reflection on the proceedings of the house I should be glad to withdraw it; but, of course, I have heard hon. members when making a withdrawal sometimes have something else to say along the same line. And so I would say that most of us here, even those who are objecting to my use of that word, do not like the procedure we now have. Our purpose in taking a few moments to speak about it now is to express the hope that the suggestion made by the Minister of Justice, since it is at least some improvement on present procedure, will receive further consideration in the hope that something may be done about it without too much delay.

Motion agreed to on division and bill read the second time.

SECOND READINGS

Bill No. 312, for the relief of Edmund Lionel Hurd.—Mr. Baker.

Bill No. 313, for the relief of Gladys Elsie Lariviere Doyle.—Mr. Baker.

Bill No. 314, for the relief of Ernestine Ann Lothrop MacNaughton.—Mr. Baker.

Bill No. 315, for the relief of Irving Vengroff.—Mr. Maybank.

Bill No. 316, for the relief of Robert Malcolm Dickenson.—Mr. Maybank.

Bill No. 317, for the relief of Gwendolyn Edith Edson.—Mr. Maybank.

Bill No. 318, for the relief of Bernice Mae Skidmore Weale.—Mr. MacLean.

Bill No. 319, for the relief of George Christie Henderson.—Mr. Maybank.

Bill No. 320, for the relief of Marie Lauretta Eliennette (Rita) Vallerand Barraclough.—Mr. Maybank.

Bill No. 321, for the relief of William Thomas Bennett.—Mr. Maybank.

Bill No. 322, for the relief of Edna Marjorie Pitts Wellington.—Mr. Maybank.

Bill No. 323, for the relief of Josephine Isabelle Nicholls Broglie Geoffrion.—Mr. Maybank.

Bill No. 324, for the relief of Rose Hannah Colbeck Grant.—Mr. Maybank.

Bill No. 337, for the relief of Marie-Jeanne-Augusta Clement Lajeunesse.—Mr. Maybank.

Bill No. 338, for the relief of Jeanne D'Arc Guilmette Henchey.—Mr. MacLean.

Bill No. 339, for the relief of James Arthur Bellows.—Mr. Maybank.

Bill No. 340, for the relief of Charles Howard Alexander.—Mr. MacLean.

Bill No. 341, for the relief of Alfred Wade.—Mr. MacLean.

Bill No. 342, for the relief of Inga Mary Frances Kitching.—Mr. Boucher.

Bill No. 343, for the relief of Harold Clayton Webb Clout.—Mr. Maybank.

Bill No. 344, for the relief of Phyllis Thorburn Rice Colby.—Mr. Maybank.

Second readings agreed to on division.

JUDGES ACT

CONSOLIDATION AND AMENDMENTS OF ACT—SALARIES, ETC.

The house resumed consideration in committee of bill No. 250, respecting judges of dominion and provincial courts—Mr. St. Laurent—Mr. Macdonald (Brantford City) in the chair.

The CHAIRMAN: The committee is considering section 27.

Mr. DIEFENBAKER: I return once more to this section to make a few observations. The reason the judiciary enjoys the high reputation it does lies in the fact that when a person is appointed to the bench it is generally conceived that in that situation he gives no further consideration to any question of participation in public affairs. If there is one thing more than another that should be kept in mind it is that, once a judge is appointed to the bench, unless he chooses to retire, to divest himself of the position and of any emoluments pertaining thereto, there should be no suggestion that he might be open to consider the acceptance of a position paying more than does the judiciary. And after he has had an opportunity of serving in a more highly paid position for a period of years, to suggest that at the conclusion of his term he should receive a pension such as a judge receives, is a dangerous principle.

I realize a somewhat similar principle was partly in effect previously to cover the position of chief commissioner or assistant chief commissioner of the board of railway commissioners, both those positions being pseudo-judicial, or semi-judicial positions ordinarily to be filled by outstanding jurists or men learned in the law. But to extend this principle so that a judge, after serving a few years on the bench, may retire therefrom and then accept some position in the public service,

and at the end of his term in the public service reap the advantages that were his by reason of the sacrifice he made in his income in going on the bench, if he is a leading member of the bar, seems to me to be a dangerous principle to adopt.

I would ask the minister to inform the committee how many judges he has in mind who are about to retire, or is this an ad hoc proposition to meet one specific case? I should like to know what representations have been made to this end by the Canadian Bar association. I believe I speak with knowledge and certainty when I say that in Great Britain, where our entire judicial system was born and nurtured, there is no equivalent to this proposition.

I do not wish to raise smoke-screens, but I feel that when we place our judges in a position of inviolability on the bench, when we guarantee them the increased salaries that they will now receive under this bill, when we guarantee them, after years of service, a substantial and reasonable retirement allowance and pension, there should not be admitted the principle of dangling before judges the opportunity of accepting positions in the public service paying more, accepting such positions for a period of years and then at the end of that term asking the country to give them a pension not only for the years they served on the bench but also for the period of years they served in the public service additionally.

The committee, I suggest, deserves a fuller and more complete explanation of the section. It is a novel departure, one that is easily passed and in which there may lie implications which at the moment we can only contemplate. If there is one thing more than another we must do, so far as the judiciary is concerned, it is to keep it above the suggestion of political considerations. If we place our judges in a position where, having once established the right to a pension on going on the bench, they may retire therefrom and accept positions in the public service, reaping the advantage of the pensions that are paid to those who enter the judiciary, then the door is open to situations which at the moment I do not care to suggest to the committee but which I believe everyone here can appreciate.

Has this section been submitted to the Canadian Bar association? Where is the demand for the change in the law which is proposed in this section, and what particular case or cases is it contemplated will come within the ambit of this provision at an early day?

Mr. ST. LAURENT: In Canadian history I know of only two cases which it was intended to have covered by this legislation and by its prototype which was adopted in 1931 under a former administration. At that time it was desired to have the services of a gentleman who, if I mistake not, was on the bench in the province of Manitoba, become chief railway commissioner, because it was felt that he was the proper person to fill the office. It would appear that, having a life tenure on the bench, with the advantages that come from the pension provisions, he would not agree to the change without a provision such as this being made, and it was made by legislation in 1931.

Mr. DIEFENBAKER: Is that not a semi-judicial appointment?

Mr. ST. LAURENT: I have described it. The hon. member knows as I do what functions are performed by the board of railway commissioners. It was found at that time by the former administration that legislation of this kind, to enable the country to obtain the services of that gentleman in that capacity, was desirable. Now, more recently, it was found that another justice who had performed valuable services to the country during the war period had shown special qualifications for the diplomatic service. It was also found that that gentleman felt, as did the judge of the Manitoba court in 1931, felt that it was not proper to ask him to abandon the life tenure which was his by virtue of his appointment, and since it was desired to have his services in a diplomatic capacity it was felt that the provision which had been made in 1931 might, by a slight change in phraseology, be made to apply in this case. That is the only reason this section was drawn in the form in which it is presented to the committee. I know of no other prospective case.

Mr. DIEFENBAKER: Who is the Manitoba judge?

Mr. ST. LAURENT: Judge Fullerton. I know of no other case, and I know of very few posts in the public service which would come under the description of "more lucrative" used by the hon. gentleman when this bill will have become law. I do not know of many posts in the public service which will prove to be more attractive in the way of remuneration and security of tenure than what we are providing for the judges. I think that is as it should be. I think these high judicial posts should be among the things to which lawyers would aspire as being the best that they can achieve. I would not anticipate that there could be very many cases where this clause would operate. From 1931 to 1946 it operated only once, and from now on I have in mind this special case where I think the result would appear to be com-

patible with public interest. I think the gentleman in question has shown remarkable ability in the discharge of diplomatic duties, and I think it might be of advantage to the state if these exceptional qualities which he has displayed remained available to the state in that capacity; but at this time that will require that he resign from the bench.

During the war it was possible to ask brother judges to do more than under normal conditions, but I think it would be intolerable to leave, during normal times which I hope we are getting to or will get to pretty soon, actual vacancies that could not be filled in the judicial set-up which is required for the proper administration of justice. I think one must be one thing or the other, and that it is necessary now to have a solution of this situation which could be tolerated during the war period, but should not be allowed to continue indefinitely.

Mr. MacINNIS: I am wondering whether there is any definite term during which a judge would have to be on the bench before this provision became operative. May a judge serve on the bench for a year and then be transferred to a public office, and when he leaves that public office become entitled to pension rights as if he remained on the bench for ten years or more, and in the event of his death his widow be entitled to her pension rights? It seems to me that this is an amazing provision, and if there is anything more amazing it is the arguments with which the Minister of Justice supported it.

A week ago when we last discussed this bill I was given to understand that there was great difficulty in securing good men to take positions on the bench because the remuneration of the office was not adequate. But here we have a provision which was partly in the old act; at least it applied to one position at a time when the salaries were not as large as they will be when this bill becomes law, where it was not considered proper to ask a judge to leave the security of his position to take another position where the salary was a good one. Either the salaries and the other emoluments which go with the office of a judgeship are good or they are not. In my opinion, in relation to other salaries in Canada they are very good indeed. As I pointed out the other day, under the present provision the judges come in the highest ten per cent of income tax payers. I do not think this is a proper section. We should have pensions and retirement allowances, or whatever you may wish to call them, in other positions as we have for judges. Suppose a man who comes under this provision retires from the second office; he may take another public position; he may become active in political life; and just because he was one year a judge he will draw the pension which goes with a judgeship as if he had continued to serve for his full term or for the term which he has to serve in order to be eligible for a pension. As I understand it, it is not a very long time anyway. He may retire in ten years if he so wishes. I may be wrong but I should be glad to have the minister correct me.

Mr. ST. LAURENT: No; it is now provided that except on a certificate of physical or mental inability to fulfil the function he cannot retire with a pension before having served for fifteen years.

Mr. MacINNIS: It is not ten years now.

Mr. ST. LAURENT: Even then he cannot be allowed to retire unless the government takes the responsibility of saying that it is in the public interest that he should do so. There had been cases when a gentleman had served for a certain number of years on the bench and had retired while he was still capable of performing the same or other services, and in order to prevent that from continuing there was inserted in the act a provision that in future no resignations which would make way for a retirement with a pension could be accepted unless the governor in council certified that it was in the public interest that the retirement take place.

Mr. BOUCHER: I am glad to support the point made by the hon. member for Lake Centre in opposition to section 27 of this bill. As I see it, it is important, in order that we may have an efficient judiciary, that judges be well indemnified so that they may be free of financial worries, to the extent that we may reasonably do so. I believe that is the fundamental principle behind the intention of the government to increase the salaries of judges. Under the salaries in effect up to the present time, I believe that men who otherwise might accept judicial appointments have not done so because of the much greater remuneration they would receive in private practice. This section, however, deals with a man who has held high public office, with great responsibility. It has been argued that the same reasons which support increasing the salaries of judges to give them greater security and immunity from worry would also support the same action in regard to those holding public office; but why should we confuse the two? Why should we say that a man who has held high office in the public service, with great responsibility and, of course, reasonably good remuneration, should have to rely upon the fact that previously he had been a member of the judiciary in order to get what is given to him under this section? In other words,

take two men, one accepting public office not having been a judge, the other accepting public office after having been on the bench. There may be a vast difference in what these men are entitled to under this provision. If high remuneration must be offered to encourage men to accept high political office, it should be put upon that basis only, and not on the basis that a man was a member of the bench prior to accepting public office.

There is another reason for providing pensions for judges and persons holding high public office, and for their widows and families; that is the reason of necessity. Surely a man who leaves the judiciary to accept high public office should not be considered as in such necessitous circumstances as to require this provision. Surely it would be a disgrace and an indictment against our country if we should go to a member of the judiciary and say, "You are the only man who can do this job; come with us," and then say that after he has served the country with his high qualities we shall treat him as though he needed a pension, or his widow and family needed it. When the minister said in reply to the hon. member for Lake Centre that he knew of no appointments more lucrative or more secure than judgeships he uttered a strong indictment against the very principle of the bill which I approve. I believe it is a fact that the men who have accepted judgeships have not been given the highly lucrative positions and the security it is necessary to offer in order to get the right men in the right places, administering their duties in the right way. If that is the fundamental principle behind this bill the answer of the minister was a great disappointment to me and, I am sure, to other hon. members, because I do not think that is a point which should be taken. I do not believe it is a matter of necessity. I believe it is a matter of wanting to get the best men available both for the judiciary and for high public office. I would not say which were needed most; but I should say that in appointments which carry with them the trust of the government, reliance should be placed upon the compensation, the security, the immunities and so on that the office itself merits, without having to rely upon the previous occupation of one who is appointed.

Therefore I think it would be a mistake to pass section 27 as it stands and create discrimination among those holding high public office, as between those who once were judges and those who were not. Then, too, in my opinion the qualities that should be possessed by those on the bench and those in high office should remove both from political partisanship. They should be able to hold and express an independent, free, open, frank and sincere viewpoint without fear of necessitous circumstances; without fear of their master ill-treating them by not providing security both during and after their tenure of office. One of the things we in Canada are very proud of is the ability of Canadians who have assumed high public or judicial office to cast off any feelings of political, racial, religious or sectional partisanship that they may have held prior to appointment. I think we should be very proud of that. In my opinion the difficulty in the past has been that the low salaries did not attract the right men for these jobs. Therefore I do not oppose section 27 because it gives a little more security to a man in high office; I say we should not need this section to provide the security required. I believe we shall experience difficulty if we pass it, because, after all, the minister has said he has only two cases in mind where this is required. Surely in this day of strain and stress this parliament has much more important things to consider, affecting a much greater section of the Canadian people, than a select and exclusive provision in a statute which will affect only two persons. To me the very fact that the minister has in mind only two people is the greatest indictment of section 27.

Mr. ST. LAURENT: It is unfortunate that hon. members on the opposite side did not profess those views in 1931, because I will state quite frankly that if I had not found this section in the act it might not have occurred to me to draft one to take care of this other case. It is because it was there and had been put there, as everyone knows, for this kind of case that I thought it might be used in respect of the other one. Probably it is well known that a system of superannuation for those in external affairs, and for those appointed to various commissions and so on has been under consideration for quite a long time. As yet time has not been found to work out the kind of act it would be considered proper to recommend to parliament for consideration. This case is one that has to be dealt with now. I found that a similar case had been dealt with in the manner indicated by this language in 1931. I do not know if those sitting on that side of the house at that time raised the kind of objections that are being raised to-night; I was not here, and perhaps the hon. gentlemen who have spoken to-night were not here either, but I found it in the act. There was an urgent situation to be met, and though I do confess I would prefer a judges act that did not have a section of this kind, I felt it could be met in this way. The clause was there, and it had to be dealt

with, reenacted or modified. By being modified it did happen to fit an urgent present case at a time when we were not ready to recommend to parliament the kind of superannuation act which would take care of such cases.

Hon. gentlemen have read the report of the Gordon commission. They have found recommendations there which will have to be given consideration and which at some time will be brought to the attention of the house in the form of a bill to make such provisions as should be made. That is the explanation. I am not submitting it as an argument. One hon. member said he was surprised at the argument I had made. I was not trying to make an argument, but was just trying to state frankly to the committee what were the facts, so that hon. members could draw their own conclusions.

Mr. BOUCHER: Surely the Minister of Justice would not attempt to justify a new wrong by saying that a previous wrong had been committed.

Mr. ST. LAURENT: No.

Mr. BOUCHER: Because obviously, as my right hon. friend knows, they are not parallel to the present case at all.

Mr. ST. LAURENT: No; one belonged to one party and another belonged to the other before appointment.

Mr. BOUCHER: The right hon. gentleman may say that transferring from one judiciary appointment to another is the equivalent of transferring from a judicial appointment to a political appointment. If that is his case, then I am sure there are many hon. members who will not agree with it. I think it is a distinct wrong. But I can see his argument. He puts section 27 in and would lead us to believe that he did not approve it in 1931 when done by one government, but that he does approve it in 1936 when done by his government. I do not think the argument holds good, and I do not like to see the right hon. gentleman bringing in, under section 27, an argument to exalt high office, based upon political expediency, wherein he says one party did it and it was wrong when they did it. So when they did it, and it was wrong, he can commit another wrong.

Mr. NICHOLSON: I have been impressed by the arguments advanced by my learned friends the hon. members for Lake Centre and Carleton. I think the minister has indicated that this is the type of section which should not appear in a bill. The people of Canada have set high standards for the Canadian judiciary, and I believe this sort of section places the entire judiciary, and particularly Mr. Justice Davis, in a compromising position. Mr. Justice Davis was very active politically before his appointment to the bench. I believe everyone who knew him and who had been familiar with his work felt that he put his political past behind him when he took his appointment on the bench. He performed a service for his country during the war, and I believe most people felt that he was doing what was in the best interests of the people. For some time he has had a political post.

It would now appear that we are passing special legislation to guarantee him a pension of $8,000 a year for life—provided that the present government stays in office for another seven years. I understand that Mr. Justice Davis is slated for an important post, which is a political one. It has always been the tradition for governments to have in Washington and London commissioners and ambassadors who are in complete agreement with government policy. Once a judge accepts that sort of role, it appears to me that he is no longer in the category of an impartial citizen belonging to the judiciary.

It is a serious reflection upon our judicial system to have legislation at this stage which provides a pension of $8,000 a year for life for Mr. Justice Davis, on the assumption that he holds the post for another seven years. In view of the fact that he has not performed any service on the bench since his selection, I feel that the minister should not ask the committee to pass legislation of this sort to provide security for one person. I am sure Mr. Justice Davis would object to having legislation passed for his own personal accommodation—as this legislation apparently is.

Mr. FLEMING: I observed that when the Minister of Justice spoke he did not take issue with the principle laid down by the hon. member for Lake Centre. What the Minister of Justice said, if I followed his argument, was that he justified the section, first, because of the precedent of 1931 and, second, because of the merits of the particular case now in mind.

I should like to observe, in the first place, that the precedent of 1931 does not extend to anything like the length the Minister of Justice is proposing to stretch it in support of section 27. In 1931 apparently a particular case existed, and a measure in limited terms was introduced by way of amendment to the Judges Act to provide for that particular case only.

I submit that is not a precedent for a section in broad terms such as section 27 now before the committee. It is in unlimited

terms. I say that what was done in 1931 in connection with the enactment of section 27(2) is not a precedent for the type of section we are now asked to enact in the form of section 27 of the bill.

On the second point made by the Minister of Justice, namely that there is merit in the particular case he has in mind, I should say that, if there is, then let us deal with that particular case. I do not believe it is doing any kindness to the person involved if we seek to cover up his individual case by a section in general language, as we find it in section 27 of the bill.

No particular case could ever justify language of the breadth of that in the section. If there is merit in the case the minister has in mind, then I say it ought to be dealt with on its merits, without having the matter confused by language as broad as this. I contend that no case has been made out for section 27 in the bill which we are now asked to approve.

Mr. LOW: Is there a contributory pension fund for judges, or are the retirement allowances non-contributory?

Mr. ST. LAURENT: The hon. member was attending some other duties when that question was asked earlier today. There is no pension fund, and there are no contributions. We inherited from British institutions this system of providing retirement allowances. It had become anchored there before the superannuation fund for civil servants had been established.

Mr. LOW: That brings me to what I want to say. I find myself substantially in agreement with the hon. members for Lake Centre and Carleton, and other hon. members who have spoken on this subject. The reason for my being in substantial agreement with them and for my being opposed to section 27 is that I believe it violates one of the most fundamental principles of retirement allowances. In the case of a contributory system where a person is given leave of absence for a specified period of time from his regular duty in the profession or occupation which would give him his retirement allowance upon retirement, the period for which he is granted leave of absence is based on his term of service. If he goes back to his original profession or service he then would be granted the pension upon reaching the age of retirement, just as if he had not been granted leave of absence. With that principle I am thoroughly in agreement. But in this case there is no desire or intention to adhere to that principle. If the principle is sound for contributory systems, then it must be more than sound for non-contributory systems. Rather than to press for section 27 I would suggest to the minister that he give consideration to adopting the principle of a specific period leave of absence. After the termination of that specific period, the judge could return to his judicial duties and serve out his time. Then, when he was ready to retire under the regular term of judges' retirement, give him his pension. That procedure would be in strict conformity with the best practices of retirement allowances. I find myself quite opposed to the suggestion as it is to-day.

Mr. ST. LAURENT: I could not as Minister of Justice take the responsibility of following out the suggestion made by the hon. member. I think, if one retires from the bench, he should do so definitely and permanently. It would not be possible to have it in the form of a leave of absence, for two reasons. First, it would be unfair to the public of the province of which he is a judge and, second, I think it would imply the possibility of grave dangers. As has been pointed out, one who occupies a diplomatic post is exercising a function which may appear to participate of party politics. It would not be proper to allow a judge to go from the bench for a time to engage in something which could be regarded as political and then return to the bench. That is something which I as Minister of Justice could not take the responsibility of recommending to the house or to the governor in council.

Mr. DIEFENBAKER: I am in agreement with what the minister has said about diplomatic posts being matters of party politics, and I am also in agreement with his view that it would be unreasonable to extend a judges leave of absence beyond eight years. Mr. Justice Davis was appointed in 1939. He then became chairman in Saskatchewan under the Farmers' Creditors Arrangement Act. Subsequently he was deputy minister of national war services and latterly he served in Australia. It is for the reason given by the minister, among other things, that I am opposed to a pension being paid in the indirect way that is being followed in this case.

The minister endeavoured to compare this case with what occurred in 1931, but there is a great difference. The chief commissioner or the assistant chief commissioner of the board of transport commissioners exercises no political function; they exercise judicial or semi-judicial functions. The minister has stated quite frankly that anyone going into the diplomatic service would be exercising a political function. How can there be any

justification for granting to a person exercising a political function a pension under the terms of the Judges Act?

The minister has stated that there could not be many positions which would be lucrative enough to induce a judge to leave the bench. Possibly the best way to clear up that matter would be to ask the minister in his capacity of Acting Secretary of State for External Affairs what salary and allowances Mr. Justice Davis will get if he goes to Washington, and what salary and allowances he will get if he goes to London?

Mr. NICHOLSON: How much in Australia?

Mr. DIEFENBAKER: He is not going to Australia. I do not want to be unfair, but this is one of the few cases where parliament is being asked to pass a specific section for the relief of a specific person. We have these relief bills that come down from the senate, but this is a relief section for an individual case. If there is to be a reward for diplomatic service, bring it in under the appropriate legislation and make available to men who go into the diplomatic service security and certainty after having given years of service to their country. With that I would have no disagreement, but what I do disagree with is the taking of a backdoor method by section 27 to do what the government apparently is not prepared to do for the vast body of men and women who serve in the diplomatic service and who should be assured of security after having given years of service to this country.

As the hon. member for Eglinton has pointed out, we have it on the word of the minister that this is to cover one case, and yet it provides that any person after this date who has been a member of the bench and who is appointed to public office shall be able to take advantage of this section. I think the minister is doubtful as to the propriety of this section. He admitted frankly that he would have found it impossible to put in section 27 if it had not been that fifteen years ago a similar course was taken covering a semi-judicial position. Even at this late stage I suggest to the minister that he withdraw this section. It has no place in the Judges Act. The Judges Act is to assure security for judges, not for those who may take temporary appointments to the bench and then, when a more lucrative position offers, leave the bench and, after a period of years, have all the advantages they would have if they had remained on the bench.

I do not want to repeat the arguments, but I think this should be considered having regard to the attitude that has been taken in this house toward the whole question of judges' salaries. Some of my hon. friends spoke in opposition to increasing those salaries, although they did not vote against the increase. They must have become convinced of the necessity of increasing these salaries. They did not adopt the only way there is to show their opposition; that is by voting against the increase. High tributes have been paid to the bench, but I ask the minister if he will not consider withdrawing this one section that is objected to, a section which he admits himself has no place in the Judges Act.

Mr. CASTLEDEN: According to the minister, section 27 has been included to cover a particular case or two, and I think therein lies the greatest danger. This will create a precedent and I am opposing this section because of its possible effect. It seems to me that the minister would be the first one to admit that respect for our courts and respect for the law is one of the foundations of democratic operations in any country. The present practice of making political appointments to the bench perhaps cannot be helped, and that is one of the weakest points in our present set-up. This cannot help but lower the respect of the Canadian people for law. I believe that appointments of this kind, moving a man to a position on the bench and then carrying over his pension benefits into another position, are apt to lead to a whole strata of personnel standing in specially privileged positions. That cannot be good, and that is why I am opposing it. If we want our courts to remain high above public reproach we must discourage, not encourage, this kind of thing, and I am astonished that the present Minister of Justice would bring in legislation which he must know cannot but have that effect in the end. The principle of carrying a pension for one position over into another and maintaining the benefits of one pension while the individual is operating in another position constitutes a privilege which cannot be applicable throughout our system to-day. In this case I agree with the hon. member for Lake Centre that the minister would be well advised to withdraw section 27 at this time. In doing that, he would have the support of this committee, and, would, I think, reflect credit on the position he holds.

Mr. ST. LAURENT: I cannot admit all that has been said. This is not an essential part of the Judges Act. I might suggest that it stand, that we deal with the other sections, and that we might take it up again later. If hon. gentlemen will reflect upon it I think they will come to the conclusion that more has been said to-night than the facts justify. This

is not something which is being done for someone who has chosen this career, and I should not like my silence to mean that the Department of External Affairs was responsible for or agreed with these rumours of such and such a post being intended for the gentleman in question. There should not be taken from my attitude any affirmation or denial, because it is not a matter to which any degree of consideration has been given up to the present time. Further, I am not in a position to say more as to what are the allowances and remunerations of ambassadors than appears from the estimates which are before the house. The highest item there is $10,000, and there are certain living or entertainment allowances in addition, but I am not in a position to say what they are.

One hon. gentleman has said that this carrying of pension rights from one position to another is something which is most unusual. I must disagree. It is something that is most usual. There is being considered at the present time by the governments of the united nations certain provisions whereby those who were attracted from their national public services to the service of the united nations may have their acquired pension rights transferred; and we ourselves are considering with the provinces a system whereby a transfer of civil servants from a province to the federal field, or vice versa, can be done without prejudicing the pension rights that would then be in existence. Therefore I must disagree with much that has been said. But I concede at once that this is not an essential part of the bill; and if it were the pleasure of the committee to allow it to stand, proceed with the other sections, report progress, and then come back to it after I have had time to confer with my colleagues, that might be advisable.

Mr. ROSS (Souris): Do I understand that the minister is going to let this section stand for consideration?

Mr. ST. LAURENT: I was going to ask permission to allow this section to stand, to go on with the rest of the bill, to report progress, giving me an opportunity to confer with my colleagues before we take the section up again.

Mr. ROSS (Souris): And it will be dealt with at a later stage?

Mr. ST. LAURENT: Yes.

Mr. ROSS (Souris): I think this section is a very bad precedent. I have not been impressed at all with the argument of the minister that this is like a case which happened in 1931, because the chairmanship of the railway commission has always been a judicial appointment, one which has been recognized to require some legal training. It would seem that the government are not prepared to bring in legislation which will grant pensions to their diplomatic servants. As has been pointed out, this should not be done by back-door methods. It is not a matter of personalities; a principle is at stake; and I had in mind to move that the section be deleted, until the minister's suggestion to have it stand over and that he is going to discuss it with his colleagues. Upon that understanding, I will not move at this time that it be deleted. That is what I understood the minister said would be done.

Mr. ST. LAURENT: That is the suggestion I am putting before the committee if the committee will agree to it.

Section stands.

Sections 28 and 29 agreed to.

On section 30—Judge found incapacitated or disabled.

Mr. NICHOLSON: Would the minister state what has been the experience regarding the retirement of pensioners, how many judges are now employed who are over seventy-five years of age, and how many have been removed for any reason in, say the past twenty years? Do judges on reaching seventy-five decide that they have served long enough and offer their resignations, or what procedure is followed when they arrive at that age in deciding whether or not they should continue for a longer period?

Mr. ST. LAURENT: The judges of the superior courts cannot be removed. The judges of the county or district courts retire at the age of seventy-five.

Mr. NICHOLSON: Automatically?

Mr. ST. LAURENT: The judges of the federal courts have been, since 1927, retired at the age of seventy-five. As to the judges of the high courts of the provinces, the establishment of a retiring age provision would require an amendment to the constitution, and with respect to that I have been corresponding for a long time with the provincial attorneys general. The last attempt was a letter written on my behalf by the deputy minister just before I left for the London meeting of the united nations, asking the attorneys general to give the matter consideration and be prepared to discuss it when they came back for some meeting of the dominion-provincial conference. When they did come

back, at least one of them told me not to raise the question, because he would oppose the proposal and the discussion we would have on it might prejudice other discussions we were having. So the position at the present time is that there is no immediate prospect of an amendment to the constitution being obtained under which judges could be retired on reaching a stated age.

Mr. DIEFENBAKER: Where there is a judge of a superior court who deliberately, and in the face of a number of contrary decisions of the court of appeal or of other superior courts, continues to hand down judgments adverse to the decisions of the superior courts, what course does the minister follow with a view to bringing to that judge's attention his failures and his refusal to carry out the law?

Mr. ST. LAURENT: The Minister of Justice minds his own business. Since the administration of justice is within the exclusive jurisdiction of the province, and since he has only the recommendation of appointments, he takes it for granted that the judges who are appointed and paid by the federal authority are performing their duties in a manner which is satisfactory to the attorney general of the province until that attorney general makes some representations to him. In fact it has come to my notice that in fact certain judges were not fulfilling the duties for which they had been appointed. I have had correspondence asking to have that confirmed to me by proper authority and I have not had it confirmed. I have a section in this bill by which, if it is passed, parliament will make it my duty to take some action.

Mr. DIEFENBAKER: What is the section?

Mr. ST. LAURENT: Section 35. With respect to the quality of judgments rendered, the Minister of Justice can exercise no action beyond proposing an impeachment to the houses of parliament. That is the only way in which judges can be removed. If there is, in the remarks of the hon. gentleman, as I suspect there is, the implication that it is a judge of the province of Quebec who is not conforming with jurispudence set by higher courts, I would point out to him that the principle of stare decisis does not apply in the province of Quebec and that the judges are not bound in theory by the decisions of higher courts. It is no part of the judge's legal duty to comply with a decision of a higher court if he honestly believes it to be wrong. Decisions of higher courts do not make the law in the province of Quebec.

[Mr. St. Laurent.]

Mr. STIRLING: On how many occasions has action had to be taken by a minister of justice over the last few years under the powers contained in this clause? I see that the clause contains no change in substance from the act at present in existence.

Mr. ST. LAURENT: The only action I know of is that of pointing out to a judge that it might be necessary, if he did not agree that his condition was such that he should not continue on the bench, to have a commission appointed to inquire. I will not venture to say on how many occasions; there are not very many, but on a few occasions that has been done and has resulted in the judge saying that he did not contest the suggestion that it would be desirable for him to retire, and tendering his resignation.

Section agreed to.

Section 30 agreed to.

On section 31—County court judge or circuit court judge removal for misbehaviour, incapacity or inability.

Mr. McKAY: This has to do with the removal of county or circuit court judges for misbehaviour or for inability and incapacity. Would the minister make a statement as to what he considers to be misbehaviour on the part of a judge of a county or circuit court?

Mr. ST. LAURENT: I would not. I think that is a matter upon which the good sense and judgment of individuals can differ, and I have not had called to my attention, in the years I have been in the office of Minister of Justice, conduct which would amount to misbehaviour requiring removal.

Mr. McKAY: In other words, the minister does not interpret misbehaviour here as we would in a normal court of law. I believe the suggestion was made that it is misbehaviour in so far as the administration of law is concerned.

Mr. ST. LAURENT: Yes, the kind of misbehaviour which would make it improper for the gentleman to continue in the exercise of judicial functions.

Section agreed to.

Sections 32 to 34 inclusive agreed to.

On section 35—Leave of absence from judicial duties.

Mr. GREEN: I understood the minister to say that this section places some responsibility on the minister in certain cases. It does not appear to do so. What was the section to which the minister referred?

Mr. ST. LAURENT: I would interpret it as placing a responsibility on the minister. Appointments are made by the federal authority. Payment is made for services that are supposed to be rendered, and cases have come to my notice, not officially but in fact as an individual, where judges, without obtaining leave of absence, have not been performing their judicial duties for a certain length of time and nevertheless have been in receipt of their judicial salaries. Representations have been made by lawyers to that effect, and I have told them that the representations should come to me through the attorneys general. At least in one instance I have transmitted to the attorney general the representations that have been made and asked him whether in his view the facts represented required any intervention by the Minister of Justice, and I have received no statement that they did. This clause is as follows:

No judge of a superior or county court shall be granted leave of absence from his judicial duties for a period in excess of thirty days except with the approval of the governor in council, and whenever such leave of absence is granted, the Minister of Justice shall forthwith notify the chief justice, if any, of the court and the attorney general of the province accordingly. If it appears to the chief justice of a superior court of a province that a judge of his court is absent from his judicial duties for a period in excess of thirty days, without leave of the governor in council, he shall report such absence to the Minister of Justice.

If there is leave he will receive notice from the Minister of Justice that leave has been granted. If he has not received notice and finds that one of his judges is in fact absent for more than thirty days, he shall notify the Minister of Justice; and whenever a judge of a superior or county court is absent for a period in excess of thirty days he shall report such absence and the reasons therefor to the Minister of Justice. If information of this kind comes in this way to the Minister of Justice, I shall feel while I am Minister of Justice, that it is my duty to notify the department which makes the monthly payments that the judge is absent without leave.

Mr. GREEN: A.W.O.L.

Mr. ST. LAURENT: Well, I know of cases where for many months, without having obtained leave of absence, members of the bench have not been performing their judicial functions. I do not think it is proper that that should continue.

Mr. MacNICOL: It certainly is not.

Mr. ST. LAURENT: I do not wish to be looked upon as meddlesome, but if there is some kind of procedure whereby that becomes officially known to the Minister of Justice, I think he should take some action.

Mr. GREEN: I understood the minister to say a few moments ago that if a judge was not performing his duties properly the minister was given some power to intervene by this section 35. Obviously that is not correct, because this section refers only to absences.

Mr. ST. LAURENT: Yes.

Mr. GREEN: The heading is "Absence from judicial duties", and the marginal notes for each subsection refer also to absences; therefore the Minister of Justice has absolutely no power except in the case of absence from duty.

Mr. ST. LAURENT: I do not think it would be constitutional for this parliament to give the Minister of Justice authority over the administration of justice by the provincial judges. The administration of justice is exclusively within the jurisdiction of the provincial authorities, but because we appoint the judges and pay them we are certainly entitled to refuse to pay them if they are not on the job.

Mr. GREEN: The minister will remember that he made his statement in response to a question from the hon. member for Lake Centre who intimated that some judge had not been performing his duties in the manner in which they should have been performed. I take it now that the minister did not mean to go that far.

Mr. ST. LAURENT: No. With respect to that, I do not think this parliament could give me jurisdiction unless the situation became such that it was proper to propose an address to both houses of parliament praying for the removal of the judge from the bench.

Mr. BROOKS: Does the minister know of any cases where judges' salaries have been refused for absence without leave?

Mr. ST. LAURENT: No, I do not, but I think that with this it will be my duty to notify the treasury officials that a gentleman is absent without having obtained leave of the governor in council.

Mr. BROOKS: I entirely agree that the salary should not be paid if he is absent without leave.

Mr. STIRLING: This section does not include the statement that the minister's actions shall be that of referring that matter to the treasury. For instance, take the third section of the bill. The question occurs to me, what happens if the judge of a superior or a county court refrains from giving that notice, takes no notice of these sections?

Mr. ST. LAURENT: If there is a chief justice we put a duty upon him. I do not think we can put a duty upon the attorney general of the province. I think all we can do is to provide the attorney general of a province with information, but I do not think this parliament could say that the attorney general of a province shall do such and so. He is not subject to our jurisdiction. If there is a chief justice I think we can say to him that he shall give us notice of things which come to his knowledge. All we can do with respect to the judges who have no chief justice is to impose that duty upon them. If they do not carry it out and flout the duty put upon them by parliament the thing may become grave enough to justify an address for removal or it may, in the case of a county or a district court judge, amount to the kind of misbehaviour which would call for the application of section 31.

Mr. STIRLING: What I mean is: if under subsection 3 the judge in question refrains from applying for permission to be absent, just goes away, does the minister expect that a common informer will inform him of the fact that the judge is absent, or does he wait until it is brought to his attention perhaps weeks, or a month after?

Mr. ST. LAURENT: I would not say it would be a common informer, but these things do become known. I tried to put something in here which would take care of what appeared to me to be an abuse. That was as far as I felt I could go at this time. I think the clause does indicate, if it is passed by parliament, that parliament wants the Minister of Justice to see to it that gentlemen who are absent without leave are not paid. If it is passed I am going to try and carry out that intention.

Mr. KNOWLES: Does the section also give the minister power to do something about the pension rights of judges who are absent without leave?

Mr. ST. LAURENT: The pension is not a matter of right; under this act the pension is something which may be granted, but there is no obligation imposed upon the governor in council to grant it.

Mr. KNOWLES: It may be denied in such cases.

Mr. ST. LAURENT: In a case which would be such that a minister of justice would feel that he would have the support of the House of Commons in so doing, he might recommend that the pension be denied. I think whoever is in the office of minister of justice will wish to carry out the responsibility of his office in a manner which will satisfy the public that he is doing it. I have been concerned, and I did not feel that there was in the former act that which authorized me to do anything until I received a complaint from a provincial authority. If there is this section I can feel that parliament wants me to try to see if there are or are not any of the judges paid out of moneys appropriated under our statute who are absent without having obtained leave of absence.

Mr. BROOKS: What official jurisdiction, if any, has the chief justice of a province over the county court judges?

Mr. ST. LAURENT: I do not think he has any.

Mr. BROOKS: If he reported a county court judge for being absent without leave, would he not be considered as not minding his own business?

Mr. ST. LAURENT: It is only with respect to his court that he is required to report absences.

Mr. BROOKS: I beg your pardon; I thought section 35 included county court judges as well.

Mr. ST. LAURENT: No; it is only the judges of his court.

Mr. GREEN: Does this section mean that whenever a judge in Canada wants to be absent from his duties for over thirty days he must apply to the Minister of Justice for leave of absence?

Mr. ST. LAURENT: It does.

Mr. GREEN: This section does not make it clear that he must apply to the Minister of Justice.

Mr. ST. LAURENT: No; but he must obtain leave of absence from the governor in council. He may address his application through the Minister of Justice or address it to the clerk of the privy council. He may take whatever procedure he wishes, but he cannot be absent for more than thirty days without having obtained leave. These applications for leave usually come through the Department of Justice, and the Minister of Justice communicates with the attorney general of the province and usually also with the chief justice of the court of which the gentleman making the application is a judge if he belongs to a court of which there is a chief justice.

Mr. GREEN: Is it necessary that each application for leave of absence must come before the governor in council? Surely that is unnecessary. Could the Minister of Justice not make the decision himself? What about

the summer vacations? The way this section is worded the judge might have to get leave of absence every summer. The courts are closed for two months in the summer?

Mr. ST. LAURENT: If he is going to be absent from judicial duties, which he has to perform, for a period of more than thirty days I think he should have leave of absence, and I think it is of sufficient importance to require the formality of an order in council. Where a judge has no judicial duties to perform during a period of thirty days I would not imagine that if he does not perform any he is absent from his judicial duties. I do not know the system in other provinces, but I know there are judges in attendance in my province every week during the long vacation and a list is drawn up by the chief justice of the court as to who shall attend on certain dates.

Mr. GREEN: What is the practice now with regard to obtaining leave of absence?

Mr. ST. LAURENT: The practice is that the judge writes the Department of Justice applying for leave, and stating for what reasons the application is made. The department communicates with the attorney general and the chief justice to ascertain if the application can be granted without interfering unduly with the administration of Justice. If it can be granted and there appear to be proper reasons, a recommendation is made to the governor in council; an order in council is passed, and the applicant is notified of its passage.

Mr. BOUCHER: Following the minister's explanation, I can see the point in connection with high court judges; but take the position of a county court judge who is not responsible to the chief justice, who sits alone in his county or has perhaps one or possibly two judges to assist him. I believe it is the custom for such judges, during long vacation, to set one certain day a week, or every two weeks as the case may be, when they will hear applications in chambers and that sort of thing. But I can see that it would be a departure from the present practice to require a county or district court judge to have an order in council passed granting him permission to stay away from his court for more than thirty days, because it may or may not be possible to make arrangements for a judge to take his place during that time. If he had a deputy, of course, particular circumstances may arise which would cause him to be away for more than thirty days, and he could make provision accordingly. I wonder if the minister feels that this section of the act is practical in its application to county or district court judges as well as high court judges.

Mr. ST. LAURENT: I feel that it is; but if parliament will refuse to pass this section I shall be relieved, because then I shall feel that until I get some official complaint from a provincial authority, parliament does not intend me to have any responsibility. That is the situation. I think I should have some responsibility, but if parliament feels otherwise I shall be relieved.

Mr. DIEFENBAKER: I have not said anything about this section, but as a matter of fact I think it is necessary, and I do not think it applies to any one province more than any other. Personally I think consideration should be given to the exception of the period of vacation, because as it is worded at the present time, I feel that as far as a county court judge is concerned, during the period of vacation—

Mr. NICHOLSON: How long is the vacation?

Mr. DIEFENBAKER: It begins around July 1 or July 6, normally, and ends about September 6.

Mr. BERTRAND (Laurier): September 2 in Montreal.

Mr. DIEFENBAKER: Yes, about September 1. As the section is worded now, it would appear to prevent that sort of thing, but I am sure that even if the minister had power under this section, it would not be exercised during the period of vacation, because the judicial duties to be performed would be of such a nature as would not require the presence of the average county court judge.

Mr. ST. LAURENT: I discussed the matter of the judicial vacation with the law officers when the section was being drawn, and they told me that with this language they were satisfied one was not absent from his judicial duties if no judicial duties were being left unfulfilled during the time of the absence; that in order to be absent from his judicial duties it had to be neglecting the accomplishment of things that arose for accomplishment.

Mr. SMITH (Calgary West): There is nothing geographical in it; I agree entirely.

Mr. ST. LAURENT: No; it is being absent from his judicial duties, and I think that expression implies being away and neglecting things that should be done.

Section agreed to.

On section 36—Judge to devote himself exclusively to judicial duties.

Mr. SMITH (Calgary West): I wonder if in the drafting of this section some inquiry was made as to whether or not it barred a judge from being a shareholder in a company. You will notice these words:

No judge shall, either directly or indirectly, as director or manager of any corporation, company or firm, or in any other manner whatever . . .

I was wondering if consideration had been given to whether a man simply holding shares in a company might not be held to be engaged in business.

Mr. ST. LAURENT: It has never been so construed. There is a special provision with respect to members of parliament holding shares in the Canadian Pacific Railway Company. That does not disqualify one from being a member of parliament, though the C.P.R. may be contracting with the dominion government several times a day. I think this also is a clause the language of which has been fixed by the experience of a good many years and that the gentlemen who go on the bench realize what it means and what it prevents them from continuing to do.

Mr. SMITH (Calgary West): It is active engagement.

Mr. ST. LAURENT: Yes.

Section agreed to.

On section 37—Not to act as commissioner or arbitrator without consent of governor in council.

Mr. DIEFENBAKER: I should like to say a few words with regard to sections 37 and 38. This has to do with judges acting on royal commissions. I am not going to repeat any of the contentions I have advanced on previous occasions with respect to this question. Over and over again I have stated that in my opinion one of the most necessary qualifications for members of the bench is that they be free from any suggestion, by reason of being on a royal commission, of participation in politics or anything connected therewith. Over and over again it has been emphasized, and in reading the evidence of the judges who appeared in 1928 before a committee of parliament with regard to salaries of judges I see the contention is advanced that there is no salary paid in connection with this work, and that is perfectly true. But in recent years royal commissions have been appointed in increasing numbers and at very considerable cost to this country. Let me mention a few of the royal commissions that have operated since the beginning of the war in 1939. There was the royal commission on cooperatives, which cost $137,659; the royal commission on the taxation of annuities, which cost $26,700; the Hong Kong inquiry, costing $27,400; the Halifax inquiry, costing $10,100; the Kellock-Taschereau commission, which up to June 12 had cost $5,011. Then other royal commissions in the Department of Labour cost some $85,000. The royal commission on coal up to June 15 cost $189,000, and besides these commissions there have been several others of lesser importance.

Some objection was taken on the last occasion I referred to this matter when I said that payments of large living allowances to judges is not in keeping with the maintenance of the independence of the bench. My other reason for opposing the appointment of judges to royal commissions into which political considerations enter are exemplified in the Hong Kong inquiry, which was presided over by the former chief justice of the Supreme Court of Canada, Sir Lyman Duff. As a result of his decisions in that matter, and the conclusions to which he came, strong criticisms were made in the house which, however great his reputation was, in the minds of certain people did detract from the great contribution he has made to this country.

Only within the last few months we have had in this country the Kellock-Taschereau commission. I am not going to go into any of the decisions made by that commission, or the report it presented. But I say that never before in the history of this country did a royal commission spend the time this royal commission did, as set forth in section XI, in answering criticisms made in and outside parliament regarding the methods adopted by this particular commission.

This, to me, is a most unusual report—and I am referring only to section XI. Because of that criticism, the eminent judges who composed the commission have set out in a matter of forty pages an explanation of the course they followed, enunciating the law on the subject, and more or less advancing their defence to the criticism raised. I say this places the judges in an impossible position.

Here we have two judges, eminent members of the supreme court, presiding over a commission. I am not at this time entering into the findings of the commission; but I must point out that these judges found it necessary, when reporting on what they ascertained as a result of their investigation, to include forty or fifty pages in which they set out what they did, upheld what they did, and in which they say to parliament and to the people as a whole that what they did they had a right to do, and were above anybody in this land.

I point out only one page in that connection, where one finds a most striking phrase. This is a most striking page—I refer to page 683,—where it sets out the status of the commission. These are the words used:

In this section we have dealt with various matters with respect to which there would appear to have been misunderstanding on the part of some.

In other words, here we have our judges defending themselves for what they did as members of a royal commission, and thereby to that extent answering criticisms which have been made. I think that is a dangerous position for our judiciary to be placed in.

What do they finally conclude? Having regard to the criticism that has taken place in parliament, these judges as commissioners take it upon themselves to explain the law. They point out that they took hearsay evidence, and that they took secondary evidence in the investigation. They said that such things could not have been done in a court of law, but that they were supreme as a royal commission. They went on to say this:

In the first place such a commission is a primary institution, though of a temporary kind, and is upon a formal equality with the other institutions of the state, such as the courts, houses of parliament and privy council. Reference may be made to Clokie & Robinson "Royal Commissions of Inquiry" (1937) pp. 150, 151.

In other words, they set forth there the view that a royal commission is the equal of any other institution in this country. And if it is the equal, it is above criticism. In support of their stand they quote Clokie & Robinson, the book I have mentioned. If one accepts that authority, then it is interesting to turn over a few pages, to pages 171 and 172, where one finds support for the stand which we on this side of the house have taken regarding the whole matter of secrecy. It says this:

The most unusual procedure has been that of the "secret" commission. Only two of these were established in the nineteenth century, and both were concerned essentially with the same subject, the conduct of the Princess of Wales in the first years of the century. The reasons for secrecy can easily be understood, though it might be admitted that this was a bad procedure.

Then it goes on to point out that secrecy in royal commissions and in the hearing of royal commissions is a dangerous proceeding, and has never been followed in the courts since the days of Princess Caroline between 1807 and 1820. I mention this in passing, because this book has been cited as an authority.

Now I point out this doctrine, as it is set out in the report:

While it is sitting, and until its existence terminates, it is not subordinate to any body. It is independent in every sense. It is not subject to, or under the control of the courts. Its function is to conduct the investigation committed to it and to make its report to the governor in council.

That comes dangerously close to a commission of judges placing themselves in a position where, that doctrine not being accepted, their position as judges is inconsistent with their position as commissioners. Then it goes on to say this:

The commission's findings are as authoritative as those of any court, and, as it is the sole judge of its own procedure—

And so on.

In other words, "whoever would criticize has no right to criticize, whatever procedure we may have adopted." Then it says this:

—and may receive evidence of any kind in its discretion, it is sometimes in a better position than a court subject to strict rules as to the admissibility of evidence, to ascertain facts.

Then finally, because, in the Doctor Shugar case the courts of the land found that there was no evidence against him, the royal commission were prepared to accept that finding, and they end up their report in this way:

There is, however, one power a commission does not possess. That is the power to enforce its findings. If it makes findings upon which the proper authorities conclude that certain persons should be punished, those authorities must resort to the courts or tribunals which alone possess the power to punish. Whatever the view there taken—

In other words, whatever view is taken in the courts.

—the findings of the commission arrived at under its own procedure, and on the evidence before it, are not affected and remain valid.

That is an unusual viewpoint for a royal commission to express. In other words, they go on to set out the Shugar case. After the courts had found that this man had not committed any offence, the royal commission comes along and says that he did in fact commit the offence of which the courts said he was innocent.

Mr. ST. LAURENT: Oh, no.

Mr. DIEFENBAKER: I do not bring this up for the purpose of dealing with the findings of the commission because they will be dealt with before this session is over. I bring it up for the purpose of using these pages, and I could quote any number of them—they state that, while there has been criticism of the interrogations, they followed the system they had in mind to follow—to show that a royal commission will set up as its defence its

responsibility to no body, its equality with parliament and every other institution in the state. Such procedure is bound to bring the judiciary into a position where their conduct will be discussed in the press of this country and in parliament itself.

I know of no better example in support of my contention than to say that, except in regard to those matters which have no political import, judges ought not to sit on royal commissions. There have been examples in my own province where royal commissions have been set up for the purpose of investigating political charges; and before the commission had made its report some were saying that the commission was biased on one side, while others were saying that it was biased on the other. The result was an inference of the violability of the judiciary.

I plead with the minister to reconsider this matter, and I find myself quoting Clokie & Robinson which is resorted to as an authority. In that book it says that royal commissions in Britain have gradually been reduced to a minimum, the reason being the very fact I have endeavoured to place before the committee this evening.

All of us have regard for the integrity of the bench, for their inviolability, for their entire detachment from any considerations that separate us on one side or the other side of the house. But I suggest when, as in the case of the present commission report to which I have referred, judges find it necessary to devote forty pages to explaining what they did and then finally to avow their independence of all regular procedure, that very fact admits the possibility of attacks on the judiciary which should never be possible in our country.

I remember quite well when my right hon. friend was president of the Canadian Bar association. With his distinguished record as a lawyer, he came before the bar association and in one speech dealt with the question of the independence of the judiciary, the necessity of maintaining that independence and the necessity of maintaining the support of public opinion in the integrity and independence of the judiciary. I ask him to give consideration once more to removing any suggestion that the bench should participate in any way in royal commissions other than those dealing with economic matters not in dispute and not subject to political considerations.

I am not going to refer to the amounts paid to various judges because I have referred to that on another occasion. We have now made the judges of this country independent financially. We have assured them of a fair and reasonable return in order to mobilize the best brains available for the bench, men of integrity and ability, men who have given leadership before the bar. We have assured them that, after their service to the state, they and their widows who survive them will be protected and will be able to live in security.

I suggest that now is the time to do away with the continuance of a system that has not been restricted to any one political party; both parties have utilized the royal commission system and now is the time to take this step. The bench has been made financially independent, and I suggest that it should now be made independent in every way from any consideration other than a purely judicial function.

Mr. ST. LAURENT: I hope it may not often be necessary to resort to judges for royal commissions, but there are certain situations where unfortunately it is necessary to do so. When a situation such as that which developed at the beginning of this year overtakes a country I think it calls for a commission of exceptionally high repute. The only regret I have in connection with the Taschereau-Kellock commission is that the circumstances made it necessary.

I appreciate my hon. friend's viewpoint and I have said many of the things that he has said to-night. I think we are all in agreement that, when it can be avoided, it should be avoided. But this instance was one of grave consequence to the country. Opinions may differ as to whether the course adopted by the government was the wise one, but I remain of the opinion that it was the proper thing to do.

These honoured judges agreed reluctantly to assume this most onerous task. I say that they did that without any remuneration. They performed that task in Ottawa where they were both residing, and there has not been paid even five cents in expenses to them to perform a task which unfortunately had to be performed. But they did perform it and, I think, rendered a genuine service to the people of this country.

I think all lawyers share the views of the hon. member for Lake Centre as to the desirability of having judges do nothing but attend to their ordinary judicial duties. Because of special conditions during the war, it became necessary to ask them to take on duties which would not normally fall to their lot. There will still be occasions when commissions will be necessary, and this was one of the reasons I gave to the house when asking for an additional judge in the exchequer court. With four judges in that court, I hope that in more

cases than heretofore it will be possible to go to that court rather than to take from their ordinary duties judges of the provincial courts.

We have to face facts, and the fact is that we have not yet in this country another class of citizen which can be called upon to head these commissions and leave with the public the belief that they are being handled in the best possible manner in which they could be handled by anyone in the state. That may not always remain the situation. There are gentlemen now in universities and in other walks of life who are sufficiently known to their fellow citizens to have their situation in life give that guarantee, which is necessary when one of these important public duties has to be fulfilled, that it is being fulfilled by the best men available for the purpose. I hope we are getting away from the extraordinary conditions of that period and that it will become ever less necessary to ask judges to perform those tasks. I can assure hon. members that they do not seek them. It is with reluctance that they agree to take on those duties. But we have been going through extraordinary times, which call for measures that are not ordinary.

With respect to the things which have been said about the royal commission, I do not want to have a debate here. If there is responsibility it is the responsibility of the government. The government asked these gentlemen to do this, and to do it as a service to the state. If it was wrong for them to do it, we, the members of the government, are the ones who should be held responsible. As far as they individually are concerned, I think they are entitled to both respect and thanks for the service they rendered.

Mr. MacINNIS: Perhaps only men learned in the law should take part in this discussion. But I do not believe that it is altogether a matter of the government's wish when a judge is put on a royal commission or on any other kind of commission. I understand that when the hon. member for Lake Centre was speaking he mentioned only royal commissions: he dealt with section 38 instead of section 37. I think we are being a little unrealistic when we mentally raise judges to a level a little more than human. I believe judges try to be impartial and that in the main they succeed in being impartial. But to expect us to believe that a man, who was in the thick of the conflicts of life to-day and is made a judge to-morrow, is going to drop all his prejudices and biases and never think of them again, is asking too much of human nature. He will certainly have prejudices and biases no matter what he does. The point I was going to make, however, is that a judge has a certain position in our society not only with lawyers and those who have to do with the courts, but with the public; and when the public wants a royal commission, generally, I think, it feels more satisfied that an impartial report will be made if a judge is at the head of that commission. You can make your other appointments as you like, and those appointees will be supposed to represent different factions or sections or classes, as the case may be, but if you do not put a judge as chairman of such commission you may have very great difficulty in finding another person who will be satisfactory to all concerned.

The hon. member for Lake Centre said that we should appoint judges on commissions only when there were no political factors involved. I do not know what my hon. friend means by "political factors". It would be pretty difficult, in my opinion, to think of any subject which has not political implications. A person's politics is the sum total of his ideas on life, and that takes in everything. He may express his politics by labelling himself a Progressive Conservative, a Liberal, a Social Crediter or a C.C.F.'er, but his political viewpoint expresses his attitude—if you will—toward life.

Mr. BERTRAND (Laurier): His way of thinking.

Mr. MacINNIS: Correct, his way of thinking, his whole way of thinking. I think we should leave this section as it is. The Minister of Justice says he hopes that judges will not be required for royal commissions; but if the people of the country demand that they be put in these positions I think they have the right to require such appointments.

As I said, I hesitated to take a part in this particular phase of the discussion, but I believe that the people have a confidence in the impartiality of judges which they would not readily place in anyone else.

Section agreed to.

On section 38—No extra remuneration.

Mr. PROBE: I have been listening now for time to various learned lawyers, including the hon. member for Vancouver East—

Mr. MacNICOL: He would have made a good one.

Mr. PROBE: —discuss the various sections of this bill. As is fairly well known to the committee, the members of the C.C.F. are opposed to the increase of one-third in the judges' salaries at the present time, in view of the fact that we have these very same

learned gentlemen acting in a capacity giving them the authority to refuse comparable remuneration to people in lesser walks of life. Of course we are given to understand that in the case of those lesser persons, when salaries go up we have inflation, but when judges' salaries go up we have a necessary adjustment to get the best possible brains of the country to act in our behalf.

We now have before the committee a section headed "extra remuneration". The purpose of this section as I see it—I refer in particular to subsection 3—is to make it possible by order in council for a judge, when acting in other than his usual capacity, as for example when he is sitting on a commission or acting as an arbitrator, to get certain extra remuneration, allowances and expenses which are not normally contained in this bill. We find, for instance, in this bill that under certain conditions judges get $10 a day living allowance and in certain others they get $6 a day, and I am quite sure that is ample. But our judiciary, and I believe the government, have been a little bit careless of their high reputations, in accepting expense allowances in excess of those which are normal and legitimate. I wish to call the attention of the committee to the auditor general's report for 1945. It seems to me that the situation which is outlined on page 41 of that report in connection with the public accounts for 1945 is one that is not conducive to holding either the judiciary or the government in a very favourable light in the eyes of considered public opinion. I wish to refer to this famous, or infamous, situation that is mentioned by the auditor general. I quote from page 41:

Mr. Justice G. B. O'Connor of Edmonton is chairman of the wartime labour relations board, and Mr. Justice M. B. Archibald of Halifax is chairman of the national war labour board. Ottawa is headquarters of the boards. Order in council P.C. 80/5000 of June 29, 1944, accepts the following submission by the Minister of Labour:

"The undersigned has the honour to refer to orders in council P.C. 1895 and 1896 of March 16, 1944, appointing Mr. Justice G. B. O'Connor, chairman of the wartime labour relations board and to P.C. 1986 and 1987 appointing Mr. Justice M. B. Archibald, chairman of the national war labour board; and to report that while authority has been granted to pay the travelling and living expenses of the chairmen above referred to while absent from their places of residence, the undersigned—

That is the Minister of Labour, who is involved in some of these industrial disputes.

—arranged with Messrs. Justice O'Connor and Archibald that Mrs. O'Connor and Mrs. Archibald's necessary living and travelling expenses while absent from their places of residence, while accompanying their husbands in the discharge of their duties, would be paid by the department. The undersigned, therefore, begs to recommend that authority be granted to pay the necessary living and travelling expenses of Mrs. O'Connor and Mrs. Archibald while away from their homes accompanying their husbands while they are discharging their duties as chairmen of the boards to which they have been appointed."

That is the end of the submission by the Minister of Labour. The auditor general goes on:

The order in council is silent as to the authority relied on for the making. Attention is drawn to the provision for payment of expenses of Mesdames O'Connor and Archibald, as it is an exception from practice. In the fiscal year—

Listen to the amounts.

—$8,658.33 was paid to Judge O'Connor and $6,150.51 to Judge Archibald—

An hon. MEMBER: What is the one cent for?

Mr. PROBE: That is likely an excise stamp.

—by way of travelling and living expenses. These sums include claims paid with respect to travelling and living expenses of Mrs. O'Connor and Mrs. Archibald when travelling from home to Ottawa, at Ottawa, and when travelling with their husbands to various points in Canada.

That is the end of the auditor general's report. If there has ever been an instance in which the integrity of the judiciary of this land as well as the integrity of the government has been in question, I submit it is to be found right there in the auditor general's report, because in the first place it appears that the governor in council, by four separate orders in council, made provision for the living and travelling expenses of these two justices in connection with their duties, but that, following that arrangement, the Minister of Labour made private arrangements, for which he had to secure the sanction of the governor in council, in other words the cabinet, to guarantee the travelling and living expenses of the wives of the two judges named.

I am no lawyer, and sometimes I thank heaven that I do not know anything about legal phraseology; but I know what justice is, and I do not hesitate to say here that these justices compromised themselves by accepting pay on behalf of their wives while they were working during war time for the people of Canada. I have nothing further to say. I am utterly and totally opposed to this Judges Act coming into operation at the end of this year, or being passed by this House of Commons, and I have here given one sufficient reason why I am opposed to the measure.

Section agreed to.

On Section 39—What salary deemed to be where judge becomes eligible for annuity prior to January 1, 1947.

Mr. HAZEN: Do the words in line 29 refer to the act of 1937?

Mr. ST. LAURENT: No, 1927.

Mr. HAZEN: 1927, rather.

Section agreed to.

Sections 40 and 41 agreed to.

Progress reported.

SUPPLY

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

ROYAL CANADIAN MOUNTED POLICE

348. General administration, $266,379.

Mr. GREEN: There is one question I should like to ask the minister. Last year I asked him whether or not there was any provision for a retired member of the forces to receive treatment in the hospitals of the Department of Veterans Affairs. His answer was that no such arrangement had been made, but that he would look into the possibility of some provision of that sort being arranged.

Another question had to do with some form of recognition for the men who served in the security guards under the mounted police. Apparently they had no badge or other recognition of that kind. The minister also promised that he would see what could be done along that line. Will he tell the committee to-night just what the position is with regard to these matters?

Right Hon. L. S. ST. LAURENT (Minister of Justice): There has been nothing done about that. The retired members of the Royal Canadian Mounted Police have their pensions but no other provisions are made for them than the payment of the pensions under the Pension Act.

The matter of providing badges for those who served as special constables was put before the commissioner. I did not get any recommendation for action in that regard.

Mr. GREEN: Would the minister take the matter up again with the commissioner? He will find the questions on pages 3477 and 3478 of last year's *Hansard*. On December 13 he said:

> They get a certificate of service, and consideration will be given to the suggestion that they be given some form of decoration which they can wear on their tunics or coats.

Subsequent to that, on February 20, 1946, the Royal Northwest Mounted Police Veterans' association passed a resolution in Calgary asking for the provision of a suitable badge or decoration for those men who served as security guards during the war under the control of the Royal Canadian Mounted Police. I think the request is a reasonable one, and I hope that the minister can arrange to have steps taken to meet it.

Mr. ST. LAURENT: I shall bring it again to the attention of the commissioner.

Mr. MacINNIS: I wish to say a few words on a subject about which it may be too late to do anything this year. During the hot weather it seems to me that the dress of the policemen on duty around the parliament buildings is about the hottest thing that a person could wear. Not only is it about the hottest thing that a person could wear, but these men have to wear it in about the hottest place that I know of, namely, the pavements around the parliament buildings. Has the department ever given any consideration to providing summer uniforms of some lighter and cooler material than those which the men now wear? In the winter time we provide them with heavy coats to protect them from the rigours of winter weather, but we do not provide light uniforms for summer when it is uncomfortable in any dress. If any one of us had to stand around these buildings on June 29, 30 and July 1 we would surely ask that something be done about it. I suggest to the minister that he draw this to the attention of the commissioner of the mounted police and perhaps something can be done about it.

Mr. ST. LAURENT: I may say to the hon. member that I have discussed it with the commissioner of the mounted police. There are eight men who wear this traditional uniform of the mounties. The information I received was that they were on duty for only two hours at a time. I got the impression that it would be with keen regret that a decision to do away with this picturesque uniform of the mounted police would be arrived at. The answer that was given to me was that there were three shifts with eight men in each shift and that they were required to be on duty for only two hours at a time. I felt that there would be reluctance at doing away with that uniform which I believe is probably one of the most famous in the world. If it is not one of the most famous in the world it is certainly the most famous on this continent.

Mr. ADAMSON: The Eastman Kodak company would certainly protest.

Mr. HARKNESS: When this item was up for discussion some few weeks ago there was a certain amount of attention given to the rate of remuneration of the mounted police.

I am sorry to say I was not here at the time, but there are a few questions which I should like to ask. I became interested in this matter as a result of representations which I received during the past year from a considerable number of people who are interested in the welfare of the mounted police and the reputation which it has gained in the past and in maintaining that reputation. Whether rightly or wrongly they were of the opinion that the rate of remuneration received by these men was not such as was likely to maintain the high standards which the force has set in the past. I looked into the matter and I found the rates provided are as follows. I am not going to bother with the rates paid to officers and non-commissioned officers. I am going to talk chiefly about constables. So far as the rate of pay the officers receive is concerned, the deputy commissioner receives $4,500; the assistant commissioners, $3,600 each, the superintendent, $2,720 on appointment, rising to $3,120, and inspectors, $2,140, rising to $2,540.

Mr. MacNICOL: How much do the officers get?

Mr. HARKNESS: These are officers. The sub-inspectors come below that at $2,000 a piece. It seems to me that the responsibilities of the officers of the mounted police are considerably greater and contribute a great deal more to the welfare of this country than the officers of a considerable number of crown companies which have been formed in recent years, who receive a great deal more money. The officers of the mounted police are underpaid in comparison with people who are working for the crown in crown companies. However, the people about whom I wish to speak are the constables. A constable receives from $2.50 to $2.75 a day; a second-class constable, $2.25 a day; a third-class constable, $2 a day.

Mr. ST. LAURENT: The hon. member said that he was not here when the matter came up before. He is referring to the basic pay which is about only half of what they actually get.

Mr. HARKNESS: I have the whole thing here, and I shall presently put it on the record. Sub-constables and trumpeters receive $1.25 on probation and $1.75 thereafter. All these constables of various grades receive seventy-five cents a day as war duties pay, which brings them up to $2 for sub-constables and trumpeters to $3.50 for constables. They receive an allowance in lieu of quarters and rations, fuel, light, et cetera of $1.50 a day, which brings them up to rate of pay ranging from $3.50 a day to $4.75 for the highest.

[Mr. Harkness.]

Mr. ST. LAURENT: Single men.

Mr. HARKNESS: These are single men, yes. The return which I received on this matter did not say what married men receive, except a ration allowance when occupying government quarters, but not in receipt of rations in kind. However, the questions I had to ask in that connection were these. First, how many sub-constables and trumpeters are there who receive this pay, and approximately how many are still on probation and therefore receiving $1.25 a day?

Mr. ST. LAURENT: There are none.

Mr. HARKNESS: When men are taken into the force, how long do they remain on probation?

Mr. ST. LAURENT: They are third-class constables the first year, second-class constables the second year and first-class constables the third year.

Mr. HARKNESS: You mean that no one is taken in as a sub-constable now, that this class does not actually exist?

Mr. ST. LAURENT: The deputy commissioner informs me that they do not take them in now in that class.

Mr. HARKNESS: Then my next question is, how many constables are there in each class, and what is the average length of time a man remains in each grade? I understand the minister to say they stay in each grade for one year until they become first-class constables?

Mr. ST. LAURENT: Yes.

Mr. HARKNESS: I wonder if we could get the information as to the number of constables in each of these grades.

Mr. ST. LAURENT: First-class constables, 1,299; second-class constables, 51; third-class constables, 134. That is as of May 31, 1946.

Mr. HARKNESS: Are all personnel in receipt of war duties pay?

Mr. ST. LAURENT: The answer is yes.

Mr. HARKNESS: How much longer is this to be continued? Is there any idea that it will come to an end with the end of the present extension of the War Measures Act; is it to be incorporated into the regular rates of pay, or is it to cease altogether?

Mr. ST. LAURENT: It has been extended to March 31, 1947, when some decision will have to be made as to the future.

Mr. HARKNESS: I should like to suggest that the war duties pay, or a fairly large proportion of it, should be included in the basic

rate of pay for the force, since that basic rate, at any rate for certain members of the force, is now less than the basic rate of pay for privates or the equivalent in the three services, taking into consideration that both are provided with quarters, uniforms and so on. As a result, I believe it is necessary to increase the basic rate of pay. I should like to make it clear that I am not finding any particular fault with the rate of pay received by first-class constables, when you include the war duties pay, the allowance in lieu of rations, and so forth. If that were not included; if there had been any large number of people in the grades of second and third-class constables, and particularly sub-constables, I think a fair amount of criticism would have been justified.

Mr. ST. LAURENT: The numbers may, of course, increase. Recruiting has been difficult during the whole war period and since the end of the war. After two years of satisfactory service, one automatically becomes a first-class constable, and that explains why practically all the constables at this time are in that grade. However, the hon. member is saying something I shall be glad to have on record, because it would be intolerable to remove the war duties supplement at the present time and go back to nothing better than the basic pay.

Mr. HARKNESS: Yes.

Mr. ST. LAURENT: Just to complete the answer, the living allowance for a single constable is $1.50 a day, for a married constable, $2.25.

Mr. HARKNESS: Since I understand from the minister that men are advanced fairly rapidly from third-class constables to second-class constable and on to first-class constable, I think it is fairly satisfactory.

There is another matter I should like to mention in connection with the mounted police, however, and that is the position of men who joined the services but did not join the first Canadian provost corps. The situation is that a considerable number of men, several of whom I knew, had the expiration of their term of enlistment occur during the course of the war. Instead of rejoining the mounted police or joining the provost corps, they joined the army, the navy or the air force. In many cases they got commissions, and quite a number of them did very well. These men have now returned and in at least some instances they have not been taken back into the mounted police, or if they have been taken back the time they spent in the service is not counted toward their pension, nor is it counted as far as seniority is concerned.

As I say, some of these men were refused readmittance to the mounted police. In this country we have what is called a Reemployment in Civil Life Act, or something along that line, which requires a civilian employer whose employees joined the services to reengage those men on terms which do not place them at a disadvantage from the point of view of seniority or pay as compared with men who did not join the services. In this police force of the dominion government that rule is being flagrantly broken. Men are not being granted their pension rights or their seniority rights, and in some cases they are being refused reemployment. I think it is high time the government made an announcement that they would reemploy any man who served in the mounted police, who is still fit and wishes to be reemployed. The minister has said they are experiencing difficulty in engaging men. I have some letters here from men who are in this position. They were refused reentry into the mounted police because they refused to reenlist but preferred to join the services, and did not join the provost corps. Only last night I was talking to a man who was my second in command overseas. His brother was a sergeant in the mounted police. He served in the artillery overseas and rose to be a major. He has come back and has reenlisted with the mounted police. At present he is a corporal, and does not really know—it has never been made plain to him—his situation in regard to pension, seniority rights or anything else. A little while ago I noticed the minister shake his head when I mentioned these things, but I know these cases exist. I have been in touch with men, and had communication with them. I think it is time that the whole matter was clarified and these men knew where they stood, and particularly that they should get as good a deal as our legislation provides that civilian employers must give men who left their service to join the armed forces.

Mr. ST. LAURENT: These men to whom the hon. member refers are not men who left the Royal Canadian Mounted Police to join the armed forces. They are men who left the police force at the expiry of their term of engagement. Their connection with the police force was completely severed. When they come back, if it is possible to take them on, the officers of the force are always sympathetic. The force would not have the reputation it enjoys if its officers did not treat the men in a proper manner, or did not treat them in a manner which would win the men's confidence, devotion and affection. The same treatment is being afforded all those who were with the force and wish to return to it.

There are some cases where men who left had not shown themselves to be the kind who would be apt to get promotion. It has been promotion in the service that has been its lifeblood. The commissioner and his officers want to have in the service the kind of men who will have reasonable hope of continually going up to a higher rank.

I have always been reluctant to say or to do anything to interfere with the administration of the force, because I have had the impression that it was being administered in a firm and kindly manner, and that the commissioner and his officers know how to handle it better than I did. From time to time I receive representations with respect to this person or that person who is a member of the force, and I bring it to the attention of the commissioner. But I always make it clear to him that I am not trying to run his force and that I still have confidence in the way that he is doing it. I think that attitude on the part of the responsible ministers has for a period of years proved to be a right one. I believe that if the hon. member will bring these individual cases to my attention so that I may pass them on to the commissioner, they will receive serious consideration by the officers, who try to do the right thing by all the members of the force.

Mr. HARKNESS: I quite appreciate what the minister has said as to having confidence in the officers of the force. I should like to assure him that I, too, have the utmost confidence in them. The point, however, as it is stated in this letter from Commissioner Wood in answer to a query, is:

> Up to the present, no amendment has been made to the Royal Canadian Mounted Police Act, authorizing all service in the second great war to count for pension, but members of the force who were granted leave of absence to serve with the first provost company overseas, are permitted to count their service in the second great war for pension purposes. The same is true of the Royal Canadian Mounted Police marine section, and of the former aviation section.

This letter is dated March 29, 1946, and, to my knowledge, there has been no change in the law since that time. In other words, the situation is that any mounted policeman who joined the service police force under the aegis, as it were, of the mounted police, may count his time in the armed forces for pension. But any mounted policeman who did not join the police force of one of the services does not count his service for pension.

I should like to see an amendment to the mounted police pension act to correct what I consider to be an injustice in that regard, so that any mounted policeman who served will be able to count his time for pension. It is manifestly unjust that a man who served in the provost corps should be permitted to count his time in the army for pension, whereas a man who served in the infantry and who probably, on the average, would experience ten times the amount of risk and ten times the hardship of the man in the provost corps, cannot count his time for pension. The whole thing to me is just ridiculous, and it is high time that an amendment was passed. It is not a matter of any distrust of officers, or anything of that kind. It is a matter of changing the law so that this injustice will be corrected.

Mr. ST. LAURENT: With respect to changing the law, had there not been the necessity this year of dealing with the militia pension act I would have had a bill of my own. But I preferred to let that one be disposed of before bringing my bill along. There are reasons why there should be some differences, and I would prefer not to have the two before the house at the same time.

Mr. HARKNESS: I take it that the minister is, practically speaking, giving the committee the assurance that this matter will be corrected in the near future.

Mr. ST. LAURENT: It will certainly be brought before the house for consideration. The hon. member knows that service in the last war does count for pension purposes.

Mr. HARKNESS: Yes, which is another reason I suggest that service in this war should count.

Mr. ST. LAURENT: I cannot say what parliament will do, but it is my intention to have the matter before parliament for consideration. The hon. member knows what was done about it the last time it was up for consideration.

Mr. HARKNESS: Thank you. There is only one other point: What about the case of a man who was a sergeant in the mounted police before the war and who, after some five years of service in the army, during which time he rose to a senior rank, now finds himself in the position of constable?

Mr. ST. LAURENT: There must be some special reason there, which I cannot describe in a general way. That is not what usually happens. If that has happened—and I do not doubt it, if the hon. member says so—there must be some special reason which would require further examination.

Mr. HARKNESS: That is not the general policy.

Mr. ST. LAURENT: No, it is not.

Mr. SHAW: Two of the matters I had hoped to discuss have already been touched upon by the hon. member for Calgary East. I agree with what he says, and I was extremely pleased to hear the minister say that they do not contemplate discontinuing the payment of the special allowance war bonus—at least in the near future. I would have regarded it as a tragedy, had they contemplated such action. I would hope that when March of next year arrives the appropriate authorities may look with favour upon making this special bonus a part of the regular salaries.

I, too, have become aware of a number of cases where members of the Royal Canadian Mounted Police joining the armed services were not permitted reinstatement in the force. In a number of cases they were offered the opportunity, so I am told, of joining the provost corps. But not desiring to do that, they waited until their long period of service had expired and then joined the unit of their choice. Upon discharge, they endeavoured to get back into the force. Not only were they denied the privilege of rejoining the force, but I have been told that obstacles were placed in their way. I am told also that some sergeants and corporals were taken on as constables. I cannot see any justification for this treatment of these men who had a number of years of excellent service.

There is a third matter to which I should like to refer and which is of a different nature. I agree fully with the observations which have been made this evening and which were made on July 5 about the great traditions of the Royal Canadian Mounted Police. I agree also with the minister when he refers to the picturesque uniforms which they wear. Members of the force are to be found in front of our parliament buildings. That is a fine thing and I do not complain about it at all. I look upon it as being a splendid tourist attraction. I realize also that having the Royal Canadian Mounted Police in their scarlet tunics around certain other buildings in Ottawa may be a fine thing, but I have a complaint to make.

There are a number of government buildings in Ottawa where the Royal Canadian Mounted Police are, I cannot say guarding because I do not think that is what they are doing. I have heard the expression used that they are glorified janitors or glorified messenger boys for the civil service. Those expressions were actually used to me. These men are just about as far removed from police work as they possibly could be and they do not like the set-up at all. These men must run upstairs at midnight to make sure that all the windows are closed or the taps turned off, and that is not the proper thing to ask men to do who have been associated with this great force. It does not enhance the prestige of the force.

We should have another body of persons doing this type of work. I want it understood that I am not complaining about having our mounted police in front of this building and in one or two other places, but I implore the minister to give consideration to the removal of these men from many of these government buildings where they are nothing but caretakers. If a man joined the force for the purpose of doing a job like that and knew he was going to have to do it, I would not complain, but I have been told that men who have had years of experience with detachments in western Canada and in other parts of the country have been brought to A division and been placed at the door of some building to tell people where John Jones, in charge of a certain branch of government, happens to have his office.

I do not think there could be anything more soul-destroying than for a mounted policeman to be taken off a detachment where he is performing police service and put into a position of that kind. Some may say that such a man may not be a good policeman. If he is not a good policeman, let him go. You would be doing him a justice rather than keeping him in that position. It has been said also, and I believe this is the case, that when a member of the force incurs the displeasure of some officer he is sent here for a period. If I may be pardoned for using the term, someone said one time that it is considered to be a sort of purgatory. They are kept here for a while and then they may be sent back to the point whence they came. I am told that a mounted policeman out on detachment, when jokingly told that he is going to be moved to A division, will develop an expression on his face something like that on the face of a front-seat patron of a theatre during the showing of a Boris Karloff film.

I cannot think of a worse thing happening than a man who has been on police work being sent here and being removed entirely from the type of work he has been doing. Has consideration been given to taking these men off these jobs where they give the appearance of being just glorified caretakers?

Mr. ST. LAURENT: I think most of those men to whom the hon. member refers as being glorified caretakers are special constables; that is, with the exception of the men on parliament hill and perhaps in one or two other places. Within the last three or four weeks negotiations have been carried on look-

ing to a contract with the corps commissionaires to have them take over the guarding of a large number of public buildings in Ottawa. I am not in a position to say whether a final agreement has been signed, but the recommendations to treasury board for the number of hours that will be involved has been passed. If the agreement has not yet been completed, it is about to be completed and the corps of commissionaires will take over that work. As the hon. member knows, that corps is made up of old soldiers who do the work under the direction of a welfare organization which contracts for a certain number of hours at a certain rate per hour.

Mr. SHAW: I would not want it to be thought that I was calling these men glorified messengers or glorified caretakers. That expression was used by other people in discussing the matter with me. I am extremely happy to know that action is being taken to have the corps of commissionaires take over this work. I am sure that many members of the R.C.M.P. will smile when they hear that this action is contemplated.

Item stands.

Progress reported.

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

Monday, August 5, 1946

The house met at eleven o'clock.

CIVIL AVIATION

CANADA-NEWFOUNDLAND AIR TRANSPORT AGREEMENT

Right Hon. L. S. ST. LAURENT (Acting Prime Minister): I wish to table copies of an agreement between Canada and Newfoundland, on air transport between Canada and Newfoundland, signed at St. John's on July 29, 1946.

Hitherto the air service between Canada and Newfoundland and the use of Newfoundland fields in transatlantic civil aviation have rested on temporary arrangements made during the war. The present agreement places air traffic rights for both services on a permanent basis subject to cancellation by either party on twelve months' notice. The agreement also provides for the use of Goose Bay as a regular field in transatlantic aviation by the designated Canadian airlines; for the use of Torbay as the terminus of the Canada-Newfoundland service; for the use of Goose Bay, Buchans and Torbay as bad-weather alternates in civil air operations over Newfoundland; and for the use by Canada on most-favoured-nations terms of other airfields in Newfoundland made available for civil use.

Mr. GRAYDON: Does that include Gander?

Mr. ST. LAURENT: No.

JAPANESE IN CANADA

REPATRIATION TO JAPAN—THIRD SAILING

Hon. HUMPHREY MITCHELL (Minister of Labour): I should like to announce to the house that a group of voluntary repatriates to Japan, totalling 1,377 in number, left Vancouver on August 2 en route to the port of Yokohama, Japan. This is the third sailing of voluntary repatriate groups, the earlier sailings having taken place at the end of May. The numbers of persons so repatriated to date total 3,151. Steps are being taken to secure transportation for several hundred additional repatriates who wish to proceed to Japan as soon as possible.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

CITADEL HILL, HALIFAX

Mr. ISNOR:

1. Has the Department of Defence discontinued the use of citadel hill, Halifax (a) as accommodations for troops; (b) as offices; (c) as storage space?
2. Has it been declared surplus?
3. Has the R.C.M.P. made application for use of same for (a) accommodation for members of the force; (b) for offices; (c) for storage?

Mr. LAPOINTE:

1. (a) No. (b) Yes. (c) No.
2. One H-hut has been turned over to the city of Halifax. It is expected that the entire citadel hill, including the temporary buildings, will be evacuated by the end of August. The fortress in the citadel itself will then be returned to the Department of Mines and Resources and the temporary buildings declared surplus to War Assets.
3. (a), (b) and (c). No application has been received by the Department of National Defence.

IMMIGRATION OFFICES IN CANADA

Mr. THATCHER:

1. At what points throughout Canada are immigration offices located?
2. At what point throughout Canada are district offices maintained by the Department of Immigration?
3. What is the relationship between the immigration offices and the district offices?

4. Have any forms been issued for the making of applications under order in council No. 2071?

5. What guarantees of housing work, and wages are applicants under order in council No. 2071 required to lodge, and with whom, and for what period do such guarantees extend (a) in the case of married immigrants; (b) in the case of single immigrants; (c) in the case of child immigrants?

6. What instructions have been issued to the immigration offices and the district offices (a) as to recording the worth of such guarantees; (b) as to disposing of the applications?

Mr. GLEN:

1. Immigration offices are located at ocean and international boundary ports of entry and at the following: Calgary, Edmonton, Regina. Saskatoon, Winnipeg, Hamilton, Toronto.

2. Vancouver, Winnipeg and Ottawa.

3. For immigration purposes Canada is divided into four districts with district headquarters located at points mentioned in answer to No. 2 above. All ports and offices in each district operate under the direction of district headquarters.

4. Yes.

5. Each application is investigated to establish:—

(a) the status of the applicant,

(b) the applicant's ability to receive, house and maintain the proposed immigrant until he is established in Canada.

Each applicant is required to file a written undertaking to provide such housing and maintenance, and guarantee that the immigrant will not become a public charge in Canada.

6. (a) Answered by No. 5.

(b) Completed cases are held on file until travel and inspectional facilities are available.

EXPORTS OF ALUMINIUM

Mr. GARIEPY:

1. Is aluminium being exported to Great Britain and Europe from plants in the province of Quebec?
2. If so, from which plants and in what quantity?
3. Is it in the form of ingots or laminated sheets?
4. If so, what is the respective quantity of each that has been exported during each month of the current year?

Mr. MacKINNON:

1. Exports by province of origin not available.

2. Information not available.

3 and 4. Exports from Canada to Great Britain and Europe.

Months	Aluminium in bars, blocks and ingots	Aluminium in rods, sheets, circles and plates
	Cwt.	Cwt.
January, 1946 ...	48,981	597
February	14,911	296
March	5,660	93
April	89,016	79
May	224,067	—
June	167,624	126

PRICE OF FLAXSEED

Mr. MENARY:

1. Has the government set a price on flax seed for this year?
2. If so, what is the price?
3. Will this price apply to the province of Ontario?

Mr. MAYHEW:

1. Yes.

2. $3.25 per bushel to the producer basis No. 1 C.W. flax seed in store Port Arthur/Fort William and Vancouver, effective August 1, 1946.

3. Yes.

SALES OF BUTTER TO UNRRA

Mr. FRASER:

1. Has Canada sold butter to UNRRA during the period January 1, 1946 to July 1, 1946?
2. If so, what quantity and to what ports have shipments been made?
3. What quantity has been shipped to each port?

Mr. MacKINNON: Canada has not sold butter to UNRRA during the period mentioned.

EXPORTS OF BUTTER

Mr. FRASER:

1. Has butter been exported from Canada during the period from January 1, 1946 to July 1, 1946?
2. If so (a) to what countries? (b) what quantity to each country?

Mr. MacKINNON:

1. Yes.

2. Country	Cwt.
Bermuda	1,393
British Guiana	1,951
British Honduras	337
Barbados	2,111
Jamaica	1,412
Trinidad	5,098
British West Indies, other	1,307
Newfoundland	1,172
Colombia	3
St. Pierre	506
Alaska	1
Total	15,291

QUESTIONS PASSED AS ORDERS FOR RETURNS

PENSIONS AND FAMILY ALLOWANCES

Mr. McCUAIG:

What is the number of persons in Canada receiving (a) civilian and service pensions of all classes; (b) family allowance?

NOVA SCOTIA FISHERIES—DESTRUCTION OF TRAWL GEAR ON QUERO BANK

Mr. WINTERS:

1. Has the Department of Fisheries, or any other government department, received sworn statements from captains of Nova Scotian fishing schooners to the effect that their trawl gear is being destroyed by draggers of foreign registry on Quero bank?
2. If so, has the country of registry of the foreign trawlers been established?
3. Is Quero bank being patrolled by Canadian craft in the interests of Nova Scotian fishermen?
4. If not, what steps are being taken to establish adequate protection?

MOTIONS FOR PAPERS

GULF OF GEORGIA—SEINE AREA NO. 17

Mr. REID:

For a copy of all correspondence, telegrams and other documents forwarded to the hon. Minister of Fisheries and any of his officials, in regard to the enlarging or opening up of seine area No. 17, in the gulf of Georgia for the operation of seine fishing during the fishing season of 1946?

DOCTOR DAVID SHUGAR

Mr. DIEFENBAKER:

For a copy of all letters written by Doctor David Shugar between February 28 and March 12, 1946, to the Minister of Justice and the Prime Minister of Canada, regarding any matter connected with his detention, and a copy of the replies thereto, if any.

FLOUR

SHIPMENTS TO ECUADOR—QUESTION OF RESTRICTIONS ON EXPORT

On the orders of the day:

Mr. A. L. SMITH (Calgary West): I should like to direct a question to the Minister of Trade and Commerce. I have not had an opportunity to give him notice but I am sure he will have the answer; if not, he may take it as notice. My question arises out of a recent dispatch in the Lethbridge *Herald*; it is brief and therefore I think I may read it. The heading is: "Lethbridge Flour Goes South", and the body of the article is as follows:

Lethbridge-made flour in the post-war era is finding entirely new markets.

Ellison Milling and Elevator Company of Lethbridge on Wednesday shipped its first car of flour to Ecuador. It was a private deal with a South American firm.

[Mr. MacKinnon.]

Four more cars to the same firm will be loaded and dispatched this week.

But that's not all. Six cars of flour will be shipped immediately to the Dutch East Indies. This also is a privately arranged business deal.

Ellison flour has never before gone to these distant points.

In view of the fact that flour is now rationed to bakers in Canada who are anxious to feed United Kingdom and devastated countries, what restrictions are there on exports of flour to places like Ecuador where they are not in need of food?

Hon. J. A. MacKINNON (Minister of Trade and Commerce): I should like to give some consideration to the hon. member's question and answer it later.

Mr. SMITH (Calgary West): Very well.

TORONTO HARBOUR COMMISSIONERS

POWER TO PURCHASE CERTAIN LANDS AND TO BORROW PURCHASE MONEYS

On the orders of the day:

Hon. LIONEL CHEVRIER (Minister of Transport) moved the second reading of bill No. 299, respecting the Toronto Harbour Commissioners.

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

Mr. CHEVRIER: Perhaps I should say a word or two in introducing this bill, which in effect is a simple matter. I have no doubt that it will commend itself to the committee, and particularly to the members representing Toronto constituencies. The Toronto harbour commissioners are the owners of land north of Fleet street in the city of Toronto. This land is bounded on the west by the Fort York armouries and on the east by lands leased to Rogers Majestic Limited. The lands owned by the Toronto harbour commissioners comprise about six acres, but they have leased a portion of their lands at the eastern extremity to an important local firm, and have obtained demands from a United States industry interested in locating itself in Toronto for additional lands north of that which is already owned by them on the north side of Fleet street. The land they own has a frontage of approximately 1,321 feet along Fleet street, and there is a parcel north of theirs having an acreage of 3·4 acres. The Toronto harbour commissioners have negotiated with the owners thereof, namely, the Canadian Pacific Railway Company, for the purchase of these lands.

The commissioners are of the opinion that not only in its own interests but also in the interests of the city of Toronto it is a wise

thing to purchase these 3·4 acres of land from the Canadian Pacific Railway company. The powers of the commissioners as constituted at present under statute are not sufficient to enable them to purchase the land. The object of the bill is to give them these supplemental powers, which in the opinion of the solicitors of the Toronto harbour commissioners as well as the solicitor of the city of Toronto are required to warrant the purchase of this additional land and the use thereof for the purpose set out.

The bill is a simple one; it has but two clauses: one, authorizing the purchase, and two, authorizing the issue and raising of debentures for the purpose of purchasing these lands.

Mr. MacNICOL: I rise to support the bill. I know the area well. The site mentioned by the minister has been described by him and therefore it is not necessary for me to make any extended reference to it. I merely wish to say that the Toronto harbour commission has done an excellent job for the city in that it has brought a large number of industries to the city in the area along the waterfront which has been under their control. These industries have given a great number of jobs, and have meant much to the industrial and commercial life of the city. Their proposal is to purchase 3·47 acres now belonging to the Canadian Pacific Railway company which that railway is anxious to sell. That parcel, together with the parcel which the Toronto harbour commissioners themselves own between the Rogers Majestic plant and the 14th Infantry brigade armouries, will permit them to sell the combined area to a large concern which will employ a large number of men. In my opinion it is all to the best interests of the city. The board is to be commended for bringing about the construction of this plant in that part of the city of Toronto. As the minister pointed out, probably they could do this without any opposition whatever, but the act does not seem to be clear enough to permit them to buy the land from the Canadian Pacific Railway company, and this bill is merely enabling legislation.

Mr. CHEVRIER: That is right.

Mr. MacNICOL: I desire to render what assistance I can in bringing this about.

Mr. HAZEN: Has any price been agreed upon?

Mr. CHEVRIER: Yes. I am told it is $112,000.

Section agreed to.

Sections 2 and 3 agreed to.

Schedule agreed to.

Title agreed to.

Mr. CHEVRIER moved the third reading of the bill.

Mr. HAZEN: Can the minister tell us the assessed value of the land which is being sold?

Mr. CHEVRIER: I am sorry I cannot give that information to the hon. gentleman.

Motion agreed to, and bill read the third time and passed.

CANADIAN NATIONAL RAILWAYS

PROVISION FOR CONSTRUCTION OF LINE FROM BARRAUTE TO KIASK FALLS, QUEBEC

Hon. LIONEL CHEVRIER (Minister of Transport) moved that the house go into committee to consider the following resolution:

That it is expedient to present a bill conferring authority upon the governor in council to authorize the Canadian National Railway Company to construct a line of railway from Barraute to Kiask falls on the Bell river, in the province of Quebec, a distance of approximately 55 miles at an estimated expenditure of $4,125,000 and an average expenditure of $75,000 per mile. The bill will make provision for the issue by the company of securities, which may be guaranteed by the government in respect of the cost of construction. To enable the company to proceed with construction forthwith temporary loans may be made to the company out of the consolidated revenue fund, upon terms and conditions prescribed by the governor in council and secured by company securities.

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

Mr. MACDONNELL (Muskoka-Ontario): Is the minister going to make a statement?

Mr. CHEVRIER: Mr. Speaker, the purpose of this resolution is to obtain authority from parliament to construct a branch line from Barraute, a point on the National Transcontinental railway, to Kiask falls on the Bell river. The projected line would be 55 miles in length, and it is situated in the Abitibi country about 400 miles north and west of the city of Quebec.

When branch lines of this kind are built the Canadian National Railways have a practice of considering the economic factors. In this, as in other cases, it looks first at the natural resources which exist in the territory to be served or to be tapped; second, at the cost of construction of the line, and third, at the traffic likely to be derived from the projected line. The railway has done that in this case, and has come to the conclusion

that the construction of this line would be profitable from the three angles I have just mentioned. I should like to deal with the three in a general way, but before doing so I want to make the statement that the cost of this line will be $4,125,000, which figure is arrived at taking the rate of $75,000 per mile.

Dealing with the development of natural resources in the area, the Canadian National Railways have obtained a survey, which was projected from an aerial photograph using the modern method of stereoptic vision, which enables the country to be seen in relief. This survey disclosed a number of very important features. It disclosed, first of all, the agricultural possibilities of that area. The territory to be traversed by this line lies in the clay belt area, and there is a very substantial area north of the Transcontinental railway in the valley of the Bell river suitable for agricultural purposes. The area west of the Bell river slopes gently to the north, and is heavily wooded; later I shall deal with the question of timber. The area to the east of the Bell river is rugged and rough, and is not suitable for agricultural purposes. The line would be capable of developing some 275,000 acres of arable land, and it would support an agricultural population of approximately 15,000 people, who would be engaged in farming and lumbering. In addition some 600 people would be engaged in other activities. According to the survey made at the request of the Canadian National Railways it would take some ten years before the full agricultural development would be completed.

This area has great colonization potentialities. The province of Quebec is planning an extensive colonization programme for the district, and a study has been prepared at the request of the minister of colonization of the province of Quebec by a committee set up by him, which has issued a report entitled "La Colonisation dans la Province de Québec." This study was made by Mr. E. Minville, director of the school of higher commercial studies, Montreal, and contains some interesting conclusions which I do not want to go into fully, but perhaps I could summarize them by saying that the area to be served by this projected line has a double feature. First of all, it is the only one properly agricultural which has a bright future in the province of Quebec. Next, it is the only one which, even already partly populated, may be treated as a country to be built up.

Dealing next with the forest products of the area to be served, the line would tap huge pulpwood resources. In fact there are 700 square miles west of Bell river which contain some 4,700,000 cords of timber, and 240 square miles east of the Bell river which contain 1,500,000 cords of timber, in terms of pulpwood. Seven hundred square miles of this timber has been granted by the Quebec government to the Canada Paper Company, and it has been granted to the company because of the fact that the timber resources in the eastern townships of Quebec have become practically exhausted. Unless the Canada Paper Company is able to obtain resources elsewhere there is a strong possibility of its mills at Windsor Mills and elsewhere having to close down.

The total estimated timber in the 700 square miles which have been granted by the province to the Canada Paper Company is 4,480,000 cords, and the timber within the economic reach of the 43·7 miles of the line is 6,200,000 cords. The area to be traversed has, as well, mineral possibilities. The line traverses the main mineralized belt between Noranda on the west and the Chibougamau country on the east. The possibilities there are for gold, copper and zinc. In fact in that area are mines which have been prospected which in the opinion of those who have prepared the survey have possibilities.

Mr. MacNICOL: What kind of minerals?

Mr. ADAMSON: Who prepared the survey?

Mr. CHEVRIER: The survey was prepared at the request of the Canadian National Railways. I am talking now about the economic survey, but I shall deal with the other in a minute.

The traffic possibilities in the area, in the minds of those responsible for the survey, are substantial. In fact a large portion of the revenue of the railways in the earlier years must depend largely upon the transporation of pulpwood. In order to ensure sufficient traffic to meet operating expenses and the interest on the cost of construction in the first six years the Canada Paper Company have given a guarantee to the Canadian National Railways, such guarantee covering an aggregate traffic of 330,000 cords of pulpwood to be taken out of the area at the rate of 40,000 cords for the first year and 45,000 cords for succeeding years. In the event that the pulpwood shipped from the area is under 330,000 cords in six years, the Canada Paper Company will pay the Canadian National Railways $3 per cord for any deficiency between the actual amount transported and the 330,000 cords. The guarantee extends only to the 43·7 miles of the line, namely from Barraute to a point at the southeast extremity of the township of Laas. The estimated cost of the 43·7 miles is $3,300,000.

Dealing with the cost of the line, the estimated cumulative operating results for the first six years, including the guaranteed traffic by the Canada Paper Company, based upon the operation of the line from Barraute to Laas township, is as follows: Gross operating revenue, $3,007,000; out of pocket expenses, $2,316,000; net revenue before interest, $691,000. Deducting from that sum interest at three per cent on capital cost of $3,300,000 or $99,000 per annum for a period of six years, makes a sum of $594,000. This leaves an estimated surplus at the end of the first six-year guarantee period of $97,000.

Mr. MACDONNELL (Muskoka-Ontario): What did the minister say about gross operating income?

Mr. CHEVRIER: Gross operating revenue as compiled by the railway's chief engineer is $3,007,000.

Mr. MACDONNELL (Muskoka-Ontario): For what period?

Mr. CHEVRIER: For the first six years.

Mr. MACDONNELL (Muskoka-Ontario): Is there a breakdown of that?

Mr. CHEVRIER: If necessary I can place one on *Hansard*, although I have not a breakdown with me. I can get it for the hon. member.

Dealing with possible extensions, I would point out that the line at the present time is projected to the southeast corner of Laas township, a distance of 43.7 miles. The bill seeks authority for an additional 11.3 miles in order to bring it to Kiask falls. It is not the intention of the Canadian National Railways to project the line to Kiask falls at the present time, but it is hoped that with the timber and pulpwood development it would be possible to establish a pulp mill at Kiask falls. Therefore the railway officials seek to obtain authority from parliament for an additional 11.3 miles.

Mr. MacNICOL: Has the minister any estimate of the possible amount of power which might later be developed at Kiask falls?

Mr. CHEVRIER: No, I have not. The survey I have before me deals only with the three matters I mentioned a moment ago, namely costs, natural resources and traffic. I know there is extensive potential power development at Kiask falls, but I am not in a position to tell the hon. member what the horse-power would be.

Mr. BROOKS: Has the minister or the Canadian National Railways any guarantee that the pulp and paper people will build a mill at Kiask falls?

Mr. CHEVRIER: No, there is no such guarantee.

Mr. BROOKS: Does not the minister think there should be a guarantee before the railway is constructed?

Mr. CHEVRIER: I do not think it would be reasonable to ask the Canada Paper Company to build a paper mill at that point. They have already guaranteed the financial aspect of the line at the rate of $3 per cord in the event of any deficiency. It is hard to ascertain before the line has been projected some distance just what the future possibilities will be, so far as the construction of a mill is concerned.

Mr. BROOKS: My point is that we have seen areas of that kind stripped of pulpwood and lumber, the railway becoming just a national expense. I should think that as a guarantee of good faith the pulp and paper company should at least guarantee to build a pulp mill at that point. This would be a guarantee that the place would not be stripped and all the paying facilities of the area taken away.

Mr. CHEVRIER: Referring to further extensions, there would of course be a possibility of extension to the east, around the Chibougamau country. This would depend a great deal upon development in the area. The Canadian National Railways will build now the 43.7 miles only, if it is authorized by parliament to do so. This is nothing more or less than an industrial spur, and could be compared to a spur running from the main line of a railway in to an industry. The costs of this line in the earlier years are guaranteed. The line is being built in an agricultural area, in a mineralized area, and also in a timber area. Further, it will be built with second-hand material, material obtained from line abandonments or from replacements of main line rails; no new material or no new rolling stock will be required.

Mr. BROOKS: It will still cost $75,000 a mile?

Mr. CHEVRIER: Yes. The policy of the railway, as I outlined in the beginning, is one which thoroughly investigates each branch line project. It investigates it as to the natural resources which will be opened up, as to the cost of the construction of the

line, and as to the probable traffic which will result. Inasmuch as the total costs arising from the line are charged to the Canadian National Railways, including interest on the cost of construction as well as maintenance and operating expenses, the amount of new traffic which will be created from the development of additional natural resources has to reach a considerable figure to meet those costs. It has been the experience of the railway that when it can obtain a guarantee for the construction of the line in the earlier years, then the line is likely to be a paying project.

The Canadian National Railways has studied this project very carefully. It has prepared a survey, and it has obtained also from the records of the federal government, of the provincial government and from consultation of data in the hands of the Canada Paper, details of the natural resources in the country. It has convinced itself that this branch line would be in the interests of the railway as well as in the interests of the country. The board of directors have considered it carefully and after having given it the consideration which they give to all these lines have recommended in favour of it. The government seeks the approval of parliament for the construction of the branch line.

Mr. MACDONNELL (Muskoka-Ontario): I should like to make a few observations and ask one or two questions. In the first place let me say, although it is not necessary to say, that I have the very greatest respect for the operations of the Canadian National Railways. I think what the minister has said as to the care with which they enter into obligations is perfectly warranted, but I do feel that it is our duty in this house to try to understand fully anything that is put before us. I feel also that it is our duty to be careful and critical about things which come from the Canadian National Railways, because there is always a chance that a government owned enterprise may be subject to certain pressures which I think realistic people will always recognize and, therefore, it is I believe in friendship to the Canadian National Railways to try to understand and perhaps even to be a little persistent in making inquiry.

With that introduction I should like to make one or two observations. I was disappointed in one or two of the figures given by the minister. I was disappointed, first of all, at the very small amount of population which he indicated as likely to be the result of this line. I suppose we are all used to the idea of pioneering lines, that is lines really built in advance of population, and we must to some extent expect that, but I was surprised at the smallness of the line. I was also surprised, although I was not quite sure that I caught the minister correctly, when he said, according to my understanding, that this was the only new colonization project area in Quebec which had a bright future. If I understood him correctly, it strikes me that that is covering a lot of territory.

Mr. CHEVRIER: It is the only properly agricultural area which has a bright future according to the report made by the committee set up by the minister of colonization of the province of Quebec.

Mr. MACDONNELL (Muskoka-Ontario): What he said about working with the colonization department of the province of Quebec seemed to me an argument which is very fair and permissible and worthy and one which we should receive sympathetically; nevertheless we should seek to understand it fully. That brings me again to the very small population he indicated, and it was a surprise to me to know that that population, even with the assistance of the power company, would be sufficient to give what the minister called a guarantee of the operating cost and a return over the first few years.

That brings me to ask this particular question. I did not understand fully what the minister said as to the obligations of the paper company. If I understood him correctly he said that in the event of the minimum cordage which was indicated, and which I think was about 50,000 cords a year—

Mr. CHEVRIER: 330,000 cords over the six year period.

Mr. MACDONNELL (Muskoka-Ontario): That is about 50,000 cords a year. He said again, if I understood him correctly, that in the event of the shipment of a cordage less than that, the company would make up or would guarantee $3 per cord for the cords not shipped. I did not hear the minister say what would be the total income to the railway from the cords actually shipped. In other words, suppose 50,000 cords are shipped, what would be the gross revenue to the railway? If no cords were shipped at all I take it the railway would get paid only at the rate of $3 per cord. In other words, its total income from the paper company in the event of cords not being shipped in any year would be in the neighbourhood of $150,000.

Mr. CHEVRIER: I do not think there is any danger of no cords being shipped.

Mr. MACDONNELL (Muskoka-Ontario): I do not think so either. Can the minister give us the total figure if the cords are shipped?

Mr. CHEVRIER: I told the hon. gentleman that I would try to get that and put it on the record for him.

Mr. MACDONNELL (Muskoka-Ontario): The minister gave us the gross receipts, I think at the rate of about $500,000 a year—I think he said $3,000,000 over the six years. I regard it as of considerable importance in understanding this to know just where that operating revenue comes from. I do not know what is paid to ship a cord of wood fifty or seventy-five miles, but it would seem to me that the cost of that shipment would have to be quite high. I take it it will be practically the only revenue in the first year.

Mr. CHEVRIER: There would be other revenue.

Mr. MACDONNELL (Muskoka-Ontario): It would be trivial, I should think, at the outset.

Mr. CHEVRIER: Yes.

Mr. McMASTER: The suggestion is that there would be a revenue of $10 per cord from the pulpwood. Is that the cost of drawing it over this line, or is that the total cost of making the longer haul to the paper mills of the Canada Paper Company, wherever they are located?

Mr. CHEVRIER: The paper mills are located in several areas in the province of Quebec. The timber would be hauled from an area east and west of Bell river down the branch line to Barraute, and from there into Quebec, and from Quebec into Windsor Mills or any other area where Canada Paper had mills.

Mr. HAZEN: I think a matter of this kind involving an expenditure of well over $4,000,000 might very well be referred to the railways and shipping committee for consideration and investigation. The minister tells us that the Canadian National Railways have studied the project carefully, but it seems to me that the committee should also study it carefully and call the officials of the Canadian National Railways to find out what their studies have been and to question them on the different aspects of the road dealt with in the report referred to by the minister. What strikes me about building this railway, or any other railway, is that at the present time they have to compete with motor vehicle transportation, and I think the committee should know how many roads there are in this area at the present time and what motor vehicle competition this railway will have. The minister says that the railway will support an agricultural population of 15,000 people, but most of those people are going to use motor vehicles, and not the railway, for transportation purposes. To-day all through the country, as you go about, you see that motor trucks, not branch railways, are hauling pulp to the main line, sometimes a distance of a good many miles, and it has not been found necessary to build a railway to take the place of the trucks.

So far as mining is concerned, I think that should be looked into also, because the reports we have received from mine owners and people interested in mining in Quebec is that since the Canadian dollar has been put on a par with the United States dollar a great many of these Quebec mines will go out of production. These questions should be looked into before this expenditure is made.

Mr. CHEVRIER: I do not think the house would wish to approve this expenditure without the bill being considered by a committee. It has been the practice in the past to refer proposed branch lines of railway, not to the committee on railways and shipping, but to the committee on railways, canals and telegraph lines, and when this bill has been given its second reading I intend to move that it be referred to that committee for thorough study. The officials of the Canadian National Railways will be on hand, together with others, to give the committee all relevant information with respect not only to the financial aspect of this line but to the natural resources of the area.

Mr. MACDONNELL (Muskoka-Ontario): I am happy to hear the minister say that, because I was under a complete misapprehension; I thought this had already been before the committee. I am thoroughly in accord with what the hon. member for St. John-Albert has said, and if the minister is going to move to refer the bill to the committee I think the questions we are asking now might well be asked before that committee.

Mr. CHEVRIER: I did not want to interrupt the hon. member for Muskoka-Ontario. This is not the bill stage, only the resolution stage, and I think the time for questions is at the bill stage or in committee.

Mr. GRAYDON: Any time is the time for questions, I suppose.

Mr. CHEVRIER: I suppose.

Resolution reported, read the second time and concurred in. Mr. Chevrier thereupon moved for leave to introduce bill No. 345,

respecting the construction of a line of railway by Canadian National Railway company from Barraute to Kiask falls on the Bell river, in the province of Quebec.

Motion agreed to and bill read the first time.

Mr. CHEVRIER moved second reading of the bill.

Mr. MacNICOL: Mr. Speaker, the bill is not before us. How can it be read a second time now?

Mr. CHEVRIER: I am informed that the bill is on the members' files, but if there is any objection I shall not insist. I had hoped we might be able to give the bill second reading and refer it to the committee to-day.

Motion agreed to, bill read the second time and referred to the standing committee on railways, canals and telegraph lines.

MERCHANT SEAMEN

PROVISION FOR PAYMENT OF WORKMEN'S COMPENSATION BENEFITS

Hon. LIONEL CHEVRIER (Minister of Transport) moved the second reading of bill No. 302, respecting compensation for merchant seamen.

Mr. GREEN: Is the minister going to make a statement?

Mr. CHEVRIER: The principle contained in this bill is the same as that which has been recognized in the Government Employees Compensation Act. The Government Employees Compensation Act, as the house knows, provides compensation for employees of the government who are killed or injured in the course of their employment, and that principle is one which has been recognized over the years and to which some extensions have been granted. During the war years there was granted an extension of that principle which provided compensation in the case of death or injuries to munition workers, and by extending the same principle to merchant seamen compensation is now being granted to those men where compensation is not already granted under the provincial statute.

The principle of workmen's compensation, which protects workmen and their dependents from loss of earning power due to accidents in their employment, is now generally recognized as the cornerstone of industrial welfare. During the war it was considered advisable by the government to bring in a measure providing for payment of workmen's compensation to seamen on Canadian ships who were not covered under the different provincial compensation acts. This was done under the merchant seamen compensation regulations, 1945, which were made under the War Measures Act and became effective on August 1, 1945.

The government, by virtue of this bill, now proposes to give statutory authority to these regulations. The bill provides, among a number of things, for the establishment of a workmen's compensation board consisting of three members, and it covers first of all seamen engaged on ships registered in Canada or chartered by demise to persons registered in Canada when the ships are engaged on foreign or home-trade voyages. Second, if ordered by the governor in council, coverage may be extended to seamen engaged in Canada and employed in ships registered outside Canada and operated by persons resident in Canada or having their principal place of business in Canada, when the ships are engaged on foreign or home-trade voyages. Third, "seamen" includes all members of the crew but does not include pilots, apprenticed pilots or fishermen; and fourth, the bill does not cover seamen who are entitled to claim compensation under the Government Employees Compensation Act or any provincial act, nor does it cover seamen entitled to claim compensation under order in council P.C. 104/3546 of April 30, 1942, which provides protection for seamen suffering disability or death as a result of enemy action or counteraction taken against the same.

Mr. GREEN: That is, pension.

Mr. CHEVRIER: Yes. Compensation is payable where there is personal injury. I am sorry I told the hon. gentleman "yes". I think this order in council has to do with enemy action only and does not cover the point he mentioned.

Mr. GREEN: I meant pension similar to pension given men in the armed forces.

Mr. CHEVRIER: Yes. I believe it would cover that. Compensation is payable where there is personal injury by accident arising out of and in the course of employment. The only exceptions are: (1) Where the disability lasts less than seven days, and (2) Where the accident is attributable solely to the serious and wilful misconduct of the seaman and does not result in death or serious disability.

The question of negligence or absence of negligence of employer or seaman does not affect the matter, and the old legal defence of common employment and voluntary assumption of risk are no longer applicable. No agreement to forgo benefits of the act is valid and no contribution towards the benefits provided is to be collected from seamen. Compensation

cannot be assigned, charged or attached without the approval of the board. The benefits provided are in lieu of right of action for damages against the employer.

Where the accident results in death, the widow or invalid husband is entitled to receive payment of $45 a month during widowhood, and if the seaman leaves children, she is also entitled to receive $10 a month for each child under eighteen, the children's allowance, in case of the death of the widow, being increased to $20, but the total monthly payment is not to exceed two-thirds of the seaman's average earnings, except that minimum compensation for the widow and one or more children is $55 a month. The widow is also to receive a lump sum of $100.

Where there is no widow or invalid husband, each child is entitled to $20 a month while under eighteen, but the total monthly payment is not in any case to exceed two-thirds of the seaman's average earnings. Where there is no widow or invalid husband or child, but there are other dependents, they are to be entitled to a sum reasonably proportionate to the pecuniary loss occasioned them by the seaman's death, but not in any case to exceed two-thirds of the seaman's average earnings. Where there are children but no widow and it seems desirable to continue the existing household, and an aunt, sister or other suitable person acts as foster mother in keeping up the household, the same payments may be made as if she were the widow.

There is special provision for invalid children over eighteen and for adopted children. Where the widow marries again, her own monthly payments cease on marriage, but she is entitled to a lump sum equal to two years' payments, and the children's payments continue as before. Necessary burial expenses not exceeding $125 are to be paid by the employer, and in addition transportation expenses of the body, from place of death to place of interment, not exceeding $125, are payable.

Credit is given for any payments made under the relative provisions of the Canada Shipping Act, 1934. In case of non-fatal accidents, a seaman who is totally disabled is entitled to receive two-thirds of his average earnings, disregarding any excess above $2,500 a year, but he is not in any case to receive less than $12.50 a week unless his average earnings are less than this amount, in which case he is to receive the full amount of his earnings. Compensation dates from the commencement of disability, but there is no compensation if the disability lasts less than seven days.

If the seaman is only partly disabled he is entitled to receive the same fraction of total disability allowance as his impairment is of his full earning capacity. The awards for all permanent disability, partial as well as total, are in the form of monthly pension for life, except where impairment does not exceed ten per cent of total earning capacity, in which case payment may be ordered by the board in a lump sum.

Mr. DIEFENBAKER: How many seamen in 1946, to date, have received compensation under the order in council?

Mr. CHEVRIER: I think I can give that figure as we go along. The compensation is on the basis of the seaman's average earnings but not including war service bonus paid under P.C. 149/2705.

The settling of the compensation is done in the following manner: All questions as to right to compensation and the amount of it are determined by the board and its officers, the procedure and methods adopted being as simple, speedy and inexpensive as possible. The board deals directly with the parties, and legal assistance is not necessary. The forms are furnished by the board.

With regard to medical aid, every seaman entitled to compensation is also entitled to medical, surgical and dental aid, and hospital and skilled nursing services, and is also entitled to prosthetic applicances. Any seaman receiving medical aid under the Canada Shipping Act, 1934, is not entitled to medical aid under the Merchant Seaman Compensation Act during the period and to the extent that he is receiving medical aid under the Canada Shipping Act.

Insurance provision: The scheme of the act is to require compulsory insurance to be taken out by employers to afford the necessary coverage. The cost to employers is thereby reduced to fixed amounts payable as insurance premiums. In the operation of the regulations the board has found that ship owners, with few exceptions, have been most cooperative and anxious to comply with the insurance requirements. The cost of administration will be charged to the employers on a basis to be determined by the board. The expenses of the board, which now consists of government officials serving without additional remuneration, are small.

The outstanding features of the bill are the simplicity of its provisions and procedure, the elimination of litigation and expense, wide protection for seamen and their dependents, immunity of the employer from individual liability, and the liberality of the benefits provided. I think the house will find generally that the regulations as covered by this bill are pretty much the same as those existing

in the various provincial enactments. We have attempted to put in this bill the best that could be found in the provincial enactments. I am sure the bill will commend itself to the house.

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

On section 1—Short title.

Mr. DIEFENBAKER: I am sure there will be no disagreement with the general purposes of the bill. During the war we freely paid tribute to the services of the armed service personnel, but the men of the merchant seamen who served on the seven seas also deserve high commendation from the parliament and the people of Canada. In 1945 an order in council was passed providing for compensation for seamen who had been injured and for the dependents of the seamen who had lost their lives. As a matter of fact this party would naturally give support to legislation such as this, because in 1942—and it was the first occasion on which the matter had received support from any political party—we went on record at the Winnipeg convention as follows:

> The hazardous occupation of those serving in the merchant navy should be fully recognized and their interests protected by extending to them and their dependents protection in accordance with the principles expressed in these resolutions. The benefits of the Pensions Act as now applied to seafaring men by order in council should be confirmed by statute.

There are some provisions of the bill with respect to which I wish to ask the minister for further information. The first is the matter of transportation on the great lakes. Will this legislation be within the power of the dominion parliament? I express no opinion on it; I simply ask whether or not the question has been submitted to the law officers of the crown for determination.

The second point I wish to raise has to do with the multiplication of boards which parliament is asked to set up. During the war, when under the regulations and under order in council claims must have been much larger than they will be in the days of peace, it was not found necessary to set up another administrative body. It has not become necessary to set up an administrative body to administer the act providing for compensation to government employees. At a time when the people want us to reduce taxation, again and again provision is being made for the setting up of boards and the appointment of persons at large salaries—at least it generally turns out that large salaries are paid. Having regard to the small number of cases to which this act will apply, I suggest there is no necessity of providing for a merchant seaman compensation board to consist of three members to be appointed by the governor in council. The number of cases to be dealt with will be so relatively small that within the department itself a temporary board could be set up to deal with them.

I now come to the sections dealing with the powers of the board. It is true that under the workmen's compensation acts of the various provinces the decisions of the board is final, but there has been a body of jurisprudence built up. I take strong exception to sections 17 and 18 which give to an administrative board, without regard to the justice of the case, the finality of deciding whether or not justice has or has not been done. Consideration should be given to the establishment of principles to govern the board. Until these principles are established there should be the right of appeal to the courts. This would not apply to every case, but the principle should be followed in the building of a jurisprudence or a set of principles to guide the board so that arbitrary and tyrannical rules once made may not become the basis of future decisions.

Finally, sir, I take strenuous objection to section 41, which is what I call snooper legislation. It provides that where it is found by the board, and mind you its decision is final—

> —that the widow to whom compensation has been awarded is a common prostitute or is openly living with any man in the relation of man and wife without being married to him, the compensation to such widow may be discontinued or suspended . . .

That type of paternalistic legislation indicates what I would term the snooper mentality. We had examples of it frequently during the period of the war when the recipients of allowances had investigations made from time to time with regard to alleged wrongdoing. I think this is the first time this sort of thing has been incorporated in a statute, however.

Mr. CHEVRIER: No, it is not. I would remind the hon. gentleman that it is in the Ontario act.

Mr. DIEFENBAKER: The Ontario compensation act?

Mr. CHEVRIER: Yes.

Mr. DIEFENBAKER: Well, that is the first time hon. gentlemen opposite have ever quoted with approval anything that has been done in Ontario.

Mr. CHEVRIER: It is certainly not the first time I have quoted with approval things done in Ontario. I am quite satisfied with the Ontario act as it is now.

Mr. DIEFENBAKER: My hon. friend has been a distinguished exception to the rule usually followed in that regard on the other side of the house; but whether or not it is the Ontario act, I submit that this sort of provision together with the power given the board in another section to determine these matters, finally are the sort of thing to which we should not give approval.

As to the general provisions, I and others on this side will deal with some of the specific sections as we come to them. Generally speaking our attitude is this. We approve the principle; we disapprove the necessity of setting up another board, establishing positions to be filled by the governor in council, at a time when the greatest economy should be practised. There is no need for a special board, having in mind the limited degree to which compensation will be claimed, and having regard to the experience of the war years. Finally, as far as the board is concerned, if set up, until a jurisprudence or general principles have been established, there should be a right of appeal.

Mr. HAZEN: I did not see this bill until this morning—

Mr. CHEVRIER: It has been on the order paper for at least two weeks.

Mr. HAZEN: I acknowledge that it is my own fault; but I might point out to the committee that the governing words of this bill, following the acts we have in the statute books of the various provinces, are that the employee, the seaman injured by accident, may obtain compensation, if it is an injury by accident.

Mr. CHEVRIER: To what section is my hon. friend referring?

Mr. HAZEN: Section 7. It is injury by accident that entitled a man to compensation; those are the words you find in every act having to do with workmen's compensation. There has been a tremendous amount of litigation as to the meaning of the words "injury by accident." In all the courts of our provinces and in the English courts, right up to the privy council and the House of Lords, there are decisions as to the meaning of that expression, and as to when a workman is entitled to compensation under the wording of the act. We have this vast amount of legal precedent, if I might call it that, defining these words; and it is of the greatest value. But in this bill, as the hon. member for Lake Centre has pointed out, section 17 provides that the decision of the board shall be upon the real merits and justice of the case, and it is not bound to follow strict legal precedent. There is a vast body of legal precedent in the different provinces and in the British courts, and it seems to me that should be followed. For that reason section 17 is most objectionable. Then section 18 states:

> The decisions and findings of the board upon all questions of law or fact are final and conclusive.

In other words there is no appeal from the finding of the board if a seaman thinks he has suffered injustice. If any man thinks he has not received the compensation to which he is entitled, this section prevents him from appealing to anyone, and I say that is wrong. I want to give an instance of how this legislation has been carried out in some of our courts, how those words have been interpreted when there is not a section allowing an appeal from the board.

The ACTING CHAIRMAN (Mr. Golding): I wonder if we should deal with these sections as we come to them.

Mr. HAZEN: I am dealing with the principle of the bill, Mr. Chairman. I want to give an illustration of the arbitrary way in which boards have acted when they were not governed by legal principles; and I am going to refer to the workmen's compensation board of New Brunswick. In that province the words in the act are, "injury by accident". If a man receives an injury by accident he is entitled to compensation; but what does the board say? The board has ruled that for a man to obtain compensation he must suffer an accident, in the first place, and by reason of that accident he must suffer an injury. Let us say a longshoreman is lifting heavy boxes, or doing other heavy work, and suffers a rupture. He has suffered an injury, but the board says he is not entitled to compensation because there was no accident. There was not an accident, though he did have an injury. So for a longshoreman or any other workman to obtain compensation in such a case, he has to lie about the whole thing and say he turned his ankle, or fell; that he had an accident, and as a result suffered an injury. When they come before the board, in order to get the compensation to which they are entitled they have to lie about it; and they all understand that. This board may place a similar interpretation upon those words, and there is no opportunity for a seaman, as there is no opportunity for a workman in New Brunswick, to appeal. That opportunity did exist previously in New Brunswick, where the act provided that a man could appeal on a question of law but not on a question of fact. When the courts of the land, following the English decisions, held that the words

"injury by accident" should be interpreted as they were in the English courts, the board had the act amended to provide that it should be the sole judge of questions of law as well as questions of fact. I submit that is altogether wrong, that a seaman as well as a workman should have the right to appeal if he feels the board is not treating him justly, and that right is taken away from him by this provision. It is my submission that a seaman, if he believes that the board has not treated him justly, should have the right of appeal. These boards are not infallible. I would ask the minister to give further consideration to amending that section.

I wish to refer also to section 29, which deals with insurance, subsection 1 of which states:

> Every employer shall cover by insurance or other means satisfactory to the board, the risks of compensation arising under this act.

Does the board propose to insure these men, or do the ship owners insure their seamen with a private company?

Mr. CHEVRIER: It is the latter. They insure with a private company.

Mr. HAZEN: If they fail to do so, where is the penal provision?

Mr. CHEVRIER: Subsection 2 of section 29, where it states:

> The board may give notice in writing to a collector or other chief officer of customs that the provisions of this section have not been complied with to the satisfaction of the board in respect of seamen employed on any ship, and thereupon the collector or other chief officer of customs shall detain that ship until he receives notice from the board that he may release the ship.

Mr. HAZEN: But suppose notice is not received in time, with the result that the ship sails and an injury follows: Where does the seaman come in?

Mr. CHEVRIER: The employer is none the less liable.

Mr. HAZEN: Under the act?

Mr. CHEVRIER: Yes, section 7. The hon. member for Lake Centre asked what number of seamen had received compensation. The total is 177, in 1945. The 1946 figures are not yet compiled.

Mr. DIEFENBAKER: What is the figure from September to December, 1945, after the war?

Mr. CHEVRIER: These figures are from August, the time the regulations came into force under the War Measures Act, until July 23.

Mr. DIEFENBAKER: August of 1945 to July of this year.

[Mr. Hazen.]

Mr. CHEVRIER: That is right. Then the hon. member asked about transportation on the great lakes, and whether parliament had power to pass legislation of this kind, or whether the Department of Justice had ruled in the matter. This has been submitted to the Department of Justice, and that department is of the opinion that the federal parliament has authority to enact legislation of this kind.

Mr. DIEFENBAKER: Would the minister read the opinion into the record?

Mr. CHEVRIER: I have not the opinion with me, but I shall be glad to get it. Then although the hon. member does not object to the principle contained in the bill, he objects to a multiplicity of boards being set up by parliament. All I can say in answer is that this board, as it has administered regulations under the War Measures Act, is composed of employees of the Department of Transport who get no additional remuneration. The members of the board are the chief counsel of the Department of Transport, Mr. Matthews; the director of merchant seamen, Captain Johnson, and one of the members of the national harbours board, Mr. Roberts. None of these men gets any additional remuneration. It is the intention that the board shall be composed of these men, who are familiar with the regulations and who, I believe, will have no difficulty in coming to decisions in cases as they arise.

The hon. member also objects to sections 17 and 18, and suggests that this gives the board altogether too much power. My answer is that those sections are to a great extent taken from provincial enactments. Unless there is authority of this kind there would be a large amount of litigation which, as my hon. friend knows, means additional costs to the seamen. I believe it was Sir William Meredith who laid down the principle in the Ontario act, which was followed many years later in the Quebec act, that it was far better to give to a board this power to determine and to decide cases at issue rather than to allow them to go to courts where, very often, huge costs accumulate.

The hon. member for St. John-Albert has referred to a case in New Brunswick which has been drawn to his attention, and in that connection complains about section 7 which deals with injury by accident. An accident, as defined—

Mr. HAZEN: I do not complain about section 7, but rather about the interpretation of that section by the board.

Mr. CHEVRIER: I believe the hon. member was dealing with section 7 in conjunction with sections 17 and 18. He referred particularly to the case of a rupture resulting from an accident to a stevedore who had lifted some heavy piece of equipment. Section 2(a) defines an "accident" as a wilful and an intentional act, not being the act of the seaman, and a fortuitous event occasioned by a physical or natural cause. I can only say to the hon. member, as I said to the hon. member for Lake Centre in connection with sections 17 and 18, that I am informed by one of the board members, who is here, that now and again cases of rupture arise from accidents, and in those cases which thus far have come before the board under the regulations the claims have been paid.

Mr. HAZEN: It would be well if we had a definition of "injury by accident" in the definition section, following the interpretation placed upon those words by the English courts.

Mr. CHEVRIER: We already have it in section 2(a).

Mr. HAZEN: That is an interpretation of "accident", not "injury by accident".

Mr. CHEVRIER: The hon. member for Lake Centre takes strong objection to section 41. I can only point out to him that that section is taken from the Ontario act. I am informed by those who are responsible for administration of the regulations that it has worked out well and has caused hardship to no one. I have the section before me; it is section 47 of the Ontario workmen's compensation act, which is chapter 204 of the Ontario statutes. I need not read it, but it is substantially the same wording as section 41 of our act.

Mr. DIEFENBAKER: How many cases have been turned down under that section since July, 1945?

Mr. CHEVRIER: There have been none.

Mr. IRVINE: Section 2 (i) defines seamen as excluding fishermen—

The ACTING CHAIRMAN (Mr. Golding): I believe we shall make better progress if we deal with each section as we come to it. We are now on section 1, and it would be in order to deal with the principle and terms of the bill itself. I hope hon. members will cooperate in this regard.

Mr. GREEN: This bill is of great importance to the coastal portions of Canada. I refer particularly to the maritime provinces, to the ports of Quebec and Montreal and to the Pacific coast. I think it meets a great need. In past years Canadian seamen have sailed on deep sea ships, as distinct from coastal ships, but they have not then been covered by any type of compensation, and I take it that the main purpose of this bill is to meet that need. The minister will correct me if I am wrong in that statement. Canada is trying to become a maritime nation and build up a merchant navy. I suggest it would be well for the minister to have this bill referred to one of the committees for careful consideration section by section. Probably it could go to the marine and fisheries committee, in view of the fact that the industrial relations committee is busy trying to settle strikes. For the first time in their lives thousands of young Canadians have become interested in our merchant navy, and many of them want to make following the sea their career. Young men from the prairies particularly took an interest in the sea during the last war. We should try to get away to a good start, and this is the time to put this bill in proper form. It cannot be considered carefully in this house. We are in the dying days of the session, there are not very many members here to-day and we shall have no opportunity to scrutinize the bill carefully. I suggest to the minister that he refer the bill to one of the committees. He could get a report back in the course of a few days and we would then be sure that the bill is in the best possible form. I am not saying that it is not in the right form now, but we are not in position to be sure of that. The bill is of such importance that it should be carefully scrutinized before being placed on the statute book.

Mr. IRVINE: Perhaps, Mr. Chairman, you will permit me to say by way of general observation what you would not permit me to say a moment ago because I referred to a particular part of the bill. I want to know if fishermen have been excluded from the bill because they are taken care of by the provincial compensation acts, or was it done for some other reason?

Mr. CHEVRIER: All I can tell the hon. gentleman is that fishermen are excluded. I do not know what the position is with reference to fishermen in the provinces, but I am informed that some, although not all, are covered by provincial legislation.

Mr. MATTHEWS (Kootenay East): Will the provisions of this bill apply to seamen who operate between provincial ports, say between Vancouver and Prince Rupert? They seem to refer only to men engaged in interprovincial trade. We are anxious to see them extended

to cover seamen sailing from one port in a province to another port in the same province.

Mr. CHEVRIER: British Columbia has a provincial statute covering the case referred to by the hon. gentleman.

Mr. GREEN: This is meant primarily to cover deep sea shipping?

Mr. CHEVRIER: Yes, and also for those who are not covered by provincial statutes.

Mr. GREEN: Who are they?

Mr. CHEVRIER: Home trade and foreign-going vessels are not all covered.

Mr. IRVINE: I think we should make sure that all fishermen are covered by the laws of the various provinces where deep sea fishing takes place. There are large fishing concerns who operate drifters, and accidents occur on those ships just as they do on merchant ships.

Mr. CHEVRIER: The bill now covers only merchant seamen. If fishermen were to be covered I should think that that would be a matter for the provinces, because they leave a port in the province to fish and they come back to that port with their produce. That is clearly a matter for provincial jurisdiction.

Mr. MacNICOL: Are there any diseases from which seamen might suffer and which eventually might take their lives that are not covered by the act? Generally speaking our compensation acts have given excellent results. Years ago I had some small part in helping to promote the Ontario workmen's compensation act, and I think in the main it has been found to give fair protection and compensation to the ordinary workman. However, in some cases a workman contracted a disease, possibly tuberculosis due to poor ventilation in a factory, for which he has been unable to obtain compensation. I must say in all fairness to the boards with which I have had dealings that their decisions have been based upon the advice of their medical advisers and they have always maintained that they carry out the full intent of the act.

I do not know whether tuberculosis is contracted at sea, but there may be some peculiar diseases from which seamen might suffer. I hope when the act is put into operation and a seaman cannot prove that his disability is caused by service on a ship the board will consider the question whether or not the disease might have had some connection with the service on the ship. Otherwise I presume the act takes care of all such cases as broken legs, broken arms, loss of eyesight, and other injuries that are obvious.

Mr. CHEVRIER: Yes.

Mr. MacNICOL: I have found from long experience with workmen that often they have not been given fair compensation because they have not been able to prove to the satisfaction of the board that their trouble arose through their employment. Of course the board could see at once if a man's leg was off, or his arm, or if he had lost an eye.

Mr. CHEVRIER: Under the provincial acts they have to prove that the industrial disease is directly related to their employment. But I have this to say to my hon. friend, that industrial diseases are not covered by this act. There are few if any cases of industrial diseases arising in ships. The only one that has come to the attention of the officers of the department is pneumonia, and that of course is not covered by the act.

Mr. MacNICOL: Would it not be possible for them to contract some illness from working in the hold of a ship, or from coming in contact with bales from all sorts of places where there might have been disease?

Mr. CHEVRIER: I think that is a matter which might well be explored as experience is gained in the operation of the act, but thus far I am informed by my officers that few cases of industrial disease have arisen.

Mr. MacNICOL: I hope the board will be a little generous with seamen who have contracted diseases in such a manner as I have mentioned. A blind man can almost tell whether a man's leg or arm is off, but from long experience with workmen I have found that the workman does not always get the compensation he is entitled to. I have been unable to prove in various cases that the injury or illness arose through the man's employment.

Mr. HAZEN: Is pneumonia not "a fortuitous event occasioned by a natural cause"? If you will examine the cases that have come before the courts in Great Britain which have to do with compensation and which have had to interpret the words "injury by accident", you will find that in their decisions they include all kinds of diseases as injuries by accident, and you will find that one decision has led to another and that the interpretation of those words has been broadened to an extraordinary extent. Certainly you would call pneumonia a fortuitous event due to a natural cause, would you not?

If the minister will examine section 2, paragraph (a), he will find those words in it. The trouble with these boards is that they have set themselves up as judges of law and of fact, and there is no appeal from their decisions. If they make a ruling that pneumonia is not an injury due to an accident and that the man is entitled to no compensation there is no appeal from that decision to any court in which the man could get justice if they have interpreted the act wrongly. That is what I object to about section 18.

Mr. CHEVRIER: I am afraid I cannot agree with my hon. friend's opinion, if it is an opinion. By no stretch of the imagination can pneumonia be considered an accident, and for that reason, while a person suffering from pneumonia could put in a claim, the claim would not be accepted under section 2(a) because pneumonia is not an accident.

Mr. HAZEN: Unfortunately I have not the British decisions here, but I could refer the minister to case after case decided by the British courts which would make him change his opinion.

Mr. IRVINE: I think the hon. member for St. John-Albert has made a very good point. A man who is working in the hold of a ship may get overheated and then step out into the open air and get chilled and catch pneumonia. That is just as much an accident as breaking a leg.

Mr. CHEVRIER: May I point out that there is a misprint in section 2(a). The word "seamen" should be "seaman".

Mr. GREEN: Will the minister explain the last part of the definition of seaman? Apparently the act is intended to cover a seaman who is engaged on a ship that is registered in Canada or that is under charter to a Canadian. But there is also this further provision that "seaman" includes:

> a seaman engaged in Canada and employed on a ship that is registered outside of Canada and operated by a person resident in Canada.

Just what type of case is that meant to cover?

Mr. CHEVRIER: Is my hon. friend reading from (i)(ii).

Mr. GREEN: I was reading from the end of paragraph (ii).

Mr. CHEVRIER: That is to enable the governor in council to include a seaman engaged in Canada and employed on a ship registered outside of Canada but operated by a person resident in Canada or having his principal place of business here when the ship is so engaged. The Minister of Justice brings to my mind, for instance, a C.P.R. boat operating out of Liverpool. This would enable the governor in council to cover such a case as that.

Mr. BENTLEY: Following up the question raised by two other hon. gentlemen, I wonder if the Minister of Justice would care to give an opinion of the words in the definition section 2(a), which says "and a fortuitous event occasioned by a physical or natural cause".

Mr. ST. LAURENT: I have not given special consideration to the terms of the definition. But so far workmen's compensation acts have not provided for health insurance. They have provided for insurance against accidents, but not health insurance. That is a matter to be determined not by boards or by courts but by the lawmaker. Before 1908 there was no workmen's compensation in my own province unless there was negligence attributable to the employer. The legislature thought that there were risks incidental to industry which should be borne by industry, whether there was negligence or not, and enacted legislation to that effect. It may be that we shall come to the point where the employer will insure the health of his employees or be made to insure their health, but the legislature has not gone that far yet.

Mr. GREEN: They do with respect to certain industrial diseases, such as silicosis.

Mr. ST. LAURENT: There are industrial diseases which are classified as being an incidence of the industry and in consequence as being a proper cost of the industry. The ordinary ailments, to which a man employed in industry is no more exposed than his fellow man who for instance is a member of parliament, have not yet been covered by employer's liability, and that is something which will require to be dealt with by the law maker, if it is to be done.

Section agreed to.

At one o'clock the committee took recess.

The committee resumed at three o'clock.

On section 2—Interpretation.

Mr. CHEVRIER: There is a misprint in line 9, section 2, subsection (i) of the bill. The word "trace" should read "trade".

Mr. HAZEN: Before the committee rose for lunch there was some discussion as to whether or not a seaman who suffered from

a disease could claim compensation under this bill. If I understood him correctly, the Minister of Transport said that a seaman who developed pneumonia could not obtain compensation; that under the bill it was not an injury by accident. He said that the board had taken that view of it when they ruled under the order in council. The Minister of Justice said—I think he used the words "industrial disease"—that if a seaman suffered from a disease he could not claim compensation under this bill because it was not injury by accident. I submit that the British courts have given a broad interpretation to the words "injury by accident"; and if under all circumstances the board which has been set up has ruled in the past that a seaman who contracts pneumonia is not entitled to compensation, the board is wrong. I say that the cases have gone far in that regard. I have not had time to go through the indices and examine all the cases, but I shall refer to one which was decided by one of the British courts which defined injury by accident. It is the case of Raeburn v. Lochgelly Iron and Coal Company Limited, which was decided in the year 1926. I propose to read first the headlines.

Mr. CHEVRIER: What is the citation?

Mr. HAZEN: I am reading from volume 20, Butterworths' Workmen's Compensation Cases, at page 637. I do not wish to take up too much of the time of the committee, but I am citing this case for the benefit of the board which will be set up, because it seems to me that the board may have misdirected itself if in the past it has held in all cases pneumonia cannot be an injury by accident. The head note of the case reads as follows:

> A workman was employed for some years before his death as a fireman in a particular section of a pit in his employer's colliery. He became ill on March 3, 1925, while in charge of men removing plant from that section, and died on March 12 following. The cause of death was a form of infective jaundice, known as *spirochaetosis icterohaemorrhagica.*

Mr. ST. LAURENT: It certainly would be a horrible accident to became afflicted with all that.

Mr. HAZEN: I continue:

> It was proved in evidence, on a claim by his widow for compensation, that this form of infection is hardly known to occur in this country except in coal-workings, that it is then due to infected rats in the workings, and that micro-organisms causing the disease were found in rats caught after the workman's death in the section in which he had been working. From these facts the Sheriff-Substitute drew the inference that, although the manner in which the micro-organisms were transferred was not capable of proof, they were transferred to the workman from infected rats in the colliery. He therefore held that the workman died as a result of injury by accident arising out of and in the course of his employment, the infection not being incidental to his employment, and awarded compensation.

The employers appealed from that decision, but it was held that the arbitrator was entitled to hold that the infection which produced the disease was an accident and that the disease itself was an injury by accident, within the meaning of the act. I cite that case to show how far the courts have gone in interpreting the words "injury by accident". In dealing with the facts in his judgment on appeal the Lord President said:

> The real difficulty lies behind: Was the infectious disease which culminated in the workman's death an "injury by accident" within the meaning of the act? It is no longer possible to dispose of this question in the negative on the ground (in itself unanswerable) that, in the ordinary use of language, nobody would describe a fatal disease—whether infectious or not—as an "injury by accident," or even as an "accident" at all. The situation must be accepted that, by a series of decisions, in which the turning-point was definitely reached by the decision of the House of Lords in Brintons, Ltd. v. Turvey (1905) A.C. 230; 7 W.C.C.I., an infectious disease (not classed as an "industrial disease") may be "an injury by accident" within the meaning of the act.

If in the past under the order in council constituting the board it has ruled that a seaman who suffers from pneumonia cannot get compensation under the order in council which is now embodied in the bill, they may have made a wrong ruling. It must all depend on the facts of the case. Hon. members will find other decisions in the English courts; I have not had time to look them all up. When a man working in a pit, for instance, gets overheated and afterwards contracts a disease and dies from it, I think he is entitled to compensation, because that disease was injury by accident. I could go on and cite other cases but I do not propose to do so. I cite this one merely because I believe that the board may have misdirected itself if it held that in the case of pneumonia a seaman was not entitled to compensation. If it has misdirected itself I hope it will not do so in the future.

That raises another point. The board is supposed to get all the facts and decide the question on the facts, but when it comes to a question of law what experience have they to decide questions of law? They may decide them rightly or wrongly. In the case of a question of law I say that a seaman should have the right to appeal from the board's decision; if he feels that he is aggrieved he should have the right of appeal to one of the courts of the land.

Mr. MacINNIS: I was not here this morning because I was engaged in other work and therefore I have not had an opportunity to say anything on this important bill. Merchant seamen for too long have been unprotected against injury. Some little time ago I had occasion to call to the attention of the minister the case of a young man of perfect physique who was injured in an accident upon a ship, in which he completely lost the use of his lower limbs. Though both the department of pensions and national health, as it was at that time, and the Department of Transport were very sympathetic in considering the representations I made, they were unable to obtain any permanent compensation in this case. So if only it will provide for cases of that kind I welcome this bill.

The point raised by the hon. member for St. John-Albert is important, but I doubt if it would be of any great value to the seamen if the employer has the same opportunity of taking the case to court when he is not satisfied. Then it would become a question, as I think it was before we had compensation acts, as to who has the longest purse. I believe representatives of labour and trade unionists generally have over the years, to my own knowledge as far as British Columbia is concerned, objected to having compensation cases reviewed by the courts. Even though they might be dissatisfied with board decisions, they would much rather have the cases dealt with by a board than have the act provide that they might be referred to the courts. But of course a great deal will depend upon how the board is constituted. In the provinces I believe one member represents the employers, another represents labour and the third member is the chairman, who is supposed to be impartial. We have not yet reached the section setting up the board—it is the next section—but as I read it no provision is made for setting up a board of that kind. Of course what I am saying now is being said under the handicap of not having been here when the Minister of Transport spoke on the bill, but I would much rather have a board constituted as provincial boards are than have the seamen making appeals to the courts. I think what we should aim to do in this matter is to get a square deal for those concerned by keeping these cases out of court, and we should give that very serious consideration.

Section as amended agreed to.

On section 3—Merchant seamen compensation board.

Mr. DIEFENBAKER: This is the section to which I made reference, which provides for the setting up of a compensation board. The total number of cases in the year 1945-46 was some 177, and the minister pointed out that up to date the board had not been an expensive body because it was composed of officials of the various departments, together with a representative of the seamen. But that does not answer this question at all. This is a comprehensive section. Looking over the order in council I see that parliament is being asked to copy it almost in its entirety. I say "almost in its entirety"; the bill is a photographic copy, with the exception of section 3. At present the board which has been looking after these duties under this order in council is set up in this way:

—shall be a board to be known as the merchant seamen compensation board consisting of three members, namely, a chairman, a vice-chairman and a third member who shall be appointed by the minister, and who shall hold office during pleasure and serve without remuneration.

That is the wording of the order in council now. My hon. friend endeavoured to answer my objection to the setting up of another board by saying: Well, we are going to follow the same method that we have followed heretofore under the order in council. That is not what parliament is being asked to do. Parliament is being asked to pass section 3, subsection 4 of which reads:

A member of the board holds office during pleasure and shall be paid such salary as the governor in council may fix.

Now that is has been pointed out to the minister I am sure he will see the force of the argument, because here we are being asked to give the governor in council power to set up just another board. The governor in council can fix the salary at whatever they wish, and the person appointed holds office during pleasure. As a matter of fact, in regard to the setting up of boards and making the crown all powerful in this way I was reading something not long ago that makes it seem that history does repeat itself. I find that in the first thirty years of the reign of George III a resolution was introduced into the British House of Commons reading:

The power of the crown has increased, is increasing, and ought to be diminished.

That was about 1790. It was the famous resolution introduced by Dunning, of which I am sure the minister has heard. The only change necessary now would be to substitute "the executive" for "the crown" and that resolution could be introduced in this house; and with the support it would receive on the other side, being assured of the support of this side of the house, certainly that resolution would be passed to-day by this parliament. In view of the fact that it is not intended

to set up a board to provide cushy jobs paying handsome salaries; since it is the intention to follow the procedure now being followed under the order in council, I suggest that subsection 4 of section 3 might be changed. I do not see why there should be this departure from an otherwise photographic copy of the order in council. It might be made to read: "A member of the board holds office during pleasure and shall serve without remuneration." Having regard to the fact that these three men were willing to serve last year, and that apparently they have expressed their willingness for the future, so there is no possibility of this act being used to bring about the appointment of a full board, I hope the minister will accept my suggestion. If he does not, I intend to have something more to say on it.

Mr. CHEVRIER: I am sorry I cannot accept the suggestion made by the hon. member for Lake Centre, and that for more than one reason. In the first place, while it is true that the board has been functioning without remuneration since the order in council has been in effect, and while I feel the board will operate for some time without remuneration, there may come a time when it will be necessary to expand the operations of the board, and appoint as members persons outside the government service. When that time should come—if it comes—I do not believe the house would expect anyone outside the government service to act as a member of the board without remuneration. That is the reason why subsection 3(4) as it stands to-day is inserted. Again, if my hon. friend's suggestion were accepted, his amendment would restrict membership on the board to government officials only.

Mr. DIEFENBAKER: The minister has certainly answered the arguments he used in answer to me this morning. I am emphasizing what I said this morning, that we are being asked to give the governor in council power to appoint another board, with the payment of high salaries. The minister said this morning that it was intended this board should be composed of officials, together with a member from the seamen's organization, and that it was not intended that large salaries would be paid. The minister now says that is the intention for the time being, but within a year or so the government may decide that two or three persons need a job. By this measure we shall have created the machinery permitting their appointment, at whatever salary the governor in council may determine. In view of the fact that it handles no more than one case every other day I see no reason why we should make the provision here suggested. I have no desire to prevent the calling in of anyone under an arrangement whereby he shall receive a fair allowance for his time. But there is a great difference between that and the payment of a salary. I can see no reason why there should not be a per diem allowance to cover the operations of this board. I therefore move:

That all the words after the word "shall" in line 27 be deleted, and the words "serve without salary" be substituted therefor.

Mr. McMASTER: It seems to me that in view of the small number of cases involved, this is merely a departmental matter and could be done by one or two stenographers who would write letters to Vancouver, Halifax or some other point. It will be simply a matter of carrying out the terms of the act, and I suggest that those terms should be so clear that anyone might become entitled to the benefits simply by proving an injury in the course of his duties. Only rarely would anyone's time be taken up in deciding intricate points of law or fact. The act might be better administered regionally. Sailors living in British Columbia and sailing from British Columbia ports could deal through a provincial board at Vancouver, and those operating from Ontario, on the great lakes, could come under the Ontario compensation act. I believe that under that act sailors from Ontario who travel on steamships are covered, although I do not know to what extent it has been used. In Quebec and the maritime provinces, the same procedure could be followed, utilizing the compensation acts of each of the provinces. I believe that at the most one departmental head would be sufficient, and that three are unnecessary. If there are three, they should serve without remuneration.

Mr. CHEVRIER: I should like to deal with the objections raised by the hon. member for Lake Centre, and with his amendment. If his amendment were accepted, section 3 (4) would read:

A member of the board holds office during pleasure and shall serve without salary.

The effect of the amendment, if accepted, would be the very thing I am sure my hon. friend would not wish to have. It would restrict membership on the board to men already in the government service, and would prevent the government or the department from giving representation to labour or to other groups of society if at some time in the future it should be decided to extend the operations of the board. I believe I must give

my hon. friend the benefit of the doubt by stating that I do not think he had that in mind when he offered his amendment.

My hon. friend has complained about expenditures by the government, but if he will look at section 49 of the bill he will see that all necessary costs of administration of the act, including salaries, expenses, fees and commissions, are chargeable against the various employers, apportioned on a basis to be determined by the board. If in future the government decides to pay salaries to the members of this board, that cost will be apportioned among the employers in the same way as other costs are. It strikes me that for this reason it would not be advisable to accept the hon. member's amendment.

Mr. MacINNIS: I am not greatly concerned with saving the country the expense that would be involved in the payment of salaries to the members of this board, because I have come to the conclusion, from my experience in this house, that it is a matter of no concern. I could tell the hon. member for Lake Centre how the salaries of the members of this board could be paid without any additional expense to the country, but I do not think he would agree with my proposal.

Mr. DIEFENBAKER: What is it, if I may ask?

Mr. MacINNIS: The other night my hon. friend supported a substantial increase in the remuneration of persons who are already getting quite high salaries, and I cannot believe that in that matter he was concerned with saving expenditures to the country—

Mr. DIEFENBAKER: Did my hon. friend or any member of his group vote against those increases?

Mr. MacINNIS: That is all right; the bill has not passed yet. I spoke against it, and when I speak against a measure I have the courage to vote against it. I do not know whether my hon. friend does that or not. I understand that the board as contemplated does not include a representative of the seamen.

Mr. CHEVRIER: The director of merchant seamen is already a member of this board.

Mr. MacINNIS: The director of merchant seamen is not a seaman.

Mr. CHEVRIER: Oh, yes; Captain Johnson is a seaman.

Mr. MacINNIS: Captain Johnson is the man who orders the seamen around. I know Captain Johnson, and I do not think any seaman would say that he necessarily can represent the seamen. If they had an opportunity of saying that they were satisfied to have Captain Johnson represent them, it would be all right. Subsection 1 reads:

There shall be a board to be known as the merchant seamen compensation board—

I understand that there is not to be a merchant seaman on that board. I submit that there should be a representative of the merchant seamen, a representative of the employers and then a third representative to be appointed by the government, although the government really makes all the appointments. I do not believe the administration of this act will be satisfactory to those who are to receive compensation under it unless they feel assured that each case will be considered sympathetically in view of all the factors involved. If the proposal of the hon. member for High Park were feasible it might be a better way of administering the act, but I doubt if it can be done in that way and I am not advocating it. In order to give satisfaction to the merchant seamen they should be represented on the board.

Mr. MacNICOL: I agree with the hon. member for Vancouver East, because if this board which is to be set up to deal with injuries or accidents to merchant seamen is to work properly there should be a practical merchant seaman on the board. One of the members of the provincial workmen's compensation board is a practical working man, and that has been the case since the board was first set up.

Amendment (Mr. Diefenbaker) negatived.

Mr. HAZEN: How many people are employed by the present board?

Mr. CHEVRIER: Apart from members of the government employees compensation division of the Department of Transport there is one man employed now in connection with the seamen's regulations.

Mr. MacNICOL: If a board is set up later will it have the right to select its own personnel?

Mr. CHEVRIER: Yes.

Mr. MacNICOL: I am not in favour of that at all. I do not believe in allowing boards to name their employees and fix the remuneration.

Mr. CHEVRIER: That is covered by subsection 9.

Mr. MacNICOL: I know this is going to pass, but I am opposed to it.

Section agreed to.

On section 4—When compensation not payable.

Mr. CHEVRIER: I have a slight amendment to propose to section 4, as follows:

Amend clause 4, paragraph (b), page 3, by striking out the words "or any other order in council that provides similar benefits" in lines 9 and 10, and substituting therefor the following "or any statute or law that provides similar benefits."

I will ask the Secretary of State to move this amendment.

Mr. MARTIN: I move accordingly.

Amendment agreed to.

Mr. MacNICOL: Paragraph (a) reads:

(a) where a seaman or his dependents are entitled to claim compensation under the Government Employees Compensation Act or under any provincial workmen's compensation law;

I should like to know where this dual control comes in under the provincial and federal laws.

Mr. CHEVRIER: There is no dual control. If a seaman is entitled to claim compensation under the laws of, say, British Columbia, Nova Scotia or Quebec, for an accident happening in a province, he could not claim under this act. If an accident happened within the province, he must claim under provincial enactments, but he cannot claim under both.

Mr. MacNICOL: I understand that, but where would the accident have to occur to give him the right to claim under the provincial or the dominion act?

Mr. CHEVRIER: It might occur on a ship sailing from Vancouver to Victoria, or from Halifax to Saint John.

Mr. MacNICOL: If a seaman met with an accident on a ship going from Vancouver to Victoria I should think that the federal law would apply; but if the accident occurred ashore, say on the dock in the performance of his duties, the provincial law would apply.

Mr. CHEVRIER: It is the other way round. The seaman would be entitled to compensation under the British Columbia Act if the injury occurred while on the ship going from Vancouver to Victoria.

Mr. BROOKS: Suppose there were a difference between the provincial rates and the rates under this act?

Mr. CHEVRIER: If the accident occurs under provincial jurisdiction he comes under the provincial act. He has no choice.

Mr. HAZEN: Would a ship owner have to contribute to the provincial board and also take out insurance to cover himself under this act? Are there any provinces which already provide workmen's compensation for seamen?

Mr. CHEVRIER: The answer to the first question is yes, there may be cases where an employer would have to take out insurance under both acts. In reply to the second question, there are provinces which already provide under workmen's compensation acts for compensation in case of accidents to seamen. British Columbia is one, Nova Scotia is another, Ontario and Quebec are still others.

Mr. HAZEN: What seamen are entitled to claim compensation under the government employees compensation act?

Mr. CHEVRIER: Those are employees of various departments, such as the departments of Transport and Public Works.

Mr. McMASTER: I do not think the seaman has the choice of which act he comes under. The Ontario act, as I recall it, does not provide for contributions from the steamship companies, but the compensation board fixes the amount which the steamship company has to pay. If the seaman had the right of choice, he would not know which jurisdiction would treat him best. My experience with the Ontario workmen's compensation board is that a workman does not know just what he is going to get. He may get so much a month, or he may be given a lump sum. Under this clause he has to come under the Ontario workmen's compensation board.

Mr. CHEVRIER: My hon. friend is right. If the accident occurs within the jurisdiction of the province he has no choice. The application must be made to the workmen's compensation board of the province. But when the accident occurs in foreign waters or in jurisdiction outside that of the province, application is made to the board sought to be set up under this act.

Mr. GRAYDON: Extra-provincial jurisdiction.

Mr. CHEVRIER: Right.

Mr. ZAPLITNY: How many seamen will come under the provisions of this act?

Mr. CHEVRIER: At the peak of war operations the number of seamen amounted to about 10,000. I should think that number is down considerably now. If my memory serves me, the last figure I saw was in the neighbourhood of 6,500.

Section agreed to.

On section 5—If compensation may be claimed under law of foreign country.

Mr. REID: In line 16 should not "if such election is not made and notice given" read "if such election is not made and no notice given"?

Mr. McMASTER: Can the minister conceive of any set of circumstances in which an election would have to be made?

Mr. CHEVRIER: Yes, if the seaman is working on a ship where compensation is payable under the laws of any foreign country.

Mr. McMASTER: Would he be entitled to come under this act if working for a foreign employer?

Mr. CHEVRIER: Yes, and he would have to give notice of election. In reply to the hon. member for New Westminster, perhaps he is right. I cannot say offhand. I shall have to look into it.

Section agreed to.

On section 6—Application of act.

Mr. DIEFENBAKER: A moment ago the minister said that this act would not apply in any case in which the workmen's compensation act of the province applied. But this section says:

This act applies to accidents happening within or without Canada.

The hon. member for High Park referred to the fact that steamship companies do in fact come under the provisions of the workmen's compensation act of the province. There may be an explanation of the apparent overlapping of two jurisdictions. Perhaps the minister will also say whether he is in a position now to give the committee the opinion of the solicitors of the Department of Justice as to whether it is within the power of the dominion parliament to pass this measure.

Mr. CHEVRIER: I am getting the opinion from the justice department and hope to table it, with the consent of the house, before the bill is read a second time. With reference to the exact meaning of section 6, which says:

This act applies to accidents happening within or without Canada—

—we cover cases under this act which the province does not cover. In other words if they are not covered by provincial jurisdiction, we cover them under this act.

Section agreed to.

On section 7—Compensation, how paid.

Mr. MacNICOL: Paragraph (a) reads:

(a) does not disable the seaman for a period of at least seven days—

I have known of accidents that disabled a workman for four or five days, and then the workman would return to work so that his employer would not have an opportunity to complain. Some time later the disability would return and disable him. In a case of the kind what redress would the seaman have if he had returned to work within five or six days after the accident? Would he be debarred from applying for compensation because he had returned to work after five or six days?

Mr. CHEVRIER: I believe there is a section covering the point and I will try to find it.

Mr. McMASTER: I was impressed by what was said by the hon. member for St. John-Albert with reference to the use of the word "accident". Cases have come before the courts in which two automobiles have been in collision, and the courts have decided that neither party is liable because it was an accident. "Accident" has two meanings. If the word "injury" were used instead of "accident", or if you used the two words, it would overcome any objection taken by any body constituted under this act, or by anyone else, that it is only an injury and not an accident. I realize that if this section is amended, many other sections will have to be amended also. An accident is something that no one can help, and perhaps we are insuring everyone regardless of whether injury is sustained through the individual's fault or otherwise. I have often thought that the word "accident" is a dangerous one. I suggest it should be injury. The question should be whether the man suffered injury. If that were the provision, the question of a man being injured by something that was not in the nature of external force would leave the matter open to be decided by the board. If he could prove conclusively that although he had not been struck by an external force he had acquired some disease as a direct result of his work, the position would be made clear. I can understand it would open the door to a man maintaining that any disease had been caused by his work when in point of fact it might not have been. I suggest that injury would be a better word, even if it has to be used in conjunction with the word accident.

Section agreed to.

Sections 8 to 17 inclusive agreed to.

On section 18—Decisions final.

Mr. HAZEN: I feel strongly that under this act if a seaman has not the right to appeal to a court on a question of law there will be cases in which he will not get justice. I have in mind certain cases under the workmen's compensation act. I am thinking particularly of a girl who worked a machine by means of a lever. In the course of her work she injured her back. Perhaps some other girl working that lever would not have been injured, but this girl was, and it was necessary for her to have a surgical operation. The board said: "Yes; it is true she injured her back, but she is not entitled to compensation because there was no accident". Under the wording of the act there must be injury by accident. These people said: "We admit you had an injury and hurt your back, but you did not suffer an accident and therefore you are not entitled to compensation". If there were no appeal under this act—there happened to be an appeal in the case I referred to—so far as any question of law was concerned, the person who suffered might not have obtained justice. In the case I have mentioned, that girl could have obtained no compensation, and undoubtedly there will be cases under this act in which the board may make wrong legal decisions. This morning it was suggested that if a seaman got pneumonia he could not be entitled to compensation under this act. I submit there are cases under certain circumstances in which, if the word "injury" were used, the person affected would be entitled to compensation; and yet, if the board holds that he is not entitled to compensation, he can obtain none and he has no appeal. I feel strongly that he should have an appeal on questions of law, and therefore I am going to move that the words "law or" in the second line of section 18 be deleted, so that the section will read:

The decisions and findings of the board upon all questions of fact are final and conclusive.

Mr. MacNICOL: I concur in what the hon. member for St. John-Albert has said. I have had experience of quite a number of cases that would come under section 18. Not so long ago someone came to see me, as many workmen do in Toronto. This person was working in a shell factory which was turning out small shells, perhaps a foot long and three inches in diameter. I do not know how much they would weigh, but one of these shells fell on the worker's foot from the height of the lathe. The chairman knows how high that would be. It injured the foot and the worker was incapacitated for a long time. The doctors of the board, after the board had given this workman compensation for two or three months, turned the claim down flat. I have had in mind for some time bringing this matter to the attention of the public through some action that I propose through the medium of the Department of Labour. I have been seriously thinking of proposing that an act be passed enabling a workman to appeal from a decision of the board. There is no appeal to-day, so that when the board issues an order it is final and the workman has no more chance. I have come across several cases which have caused me to feel strongly on this point, because I feel that the workman should be given an opportunity to appeal from the decision of the board. I do not know to what body he would appeal—I am not a lawyer—but I suggest that, not the board, but a court should have the final say in case of a dispute. I want to back up what the hon. member for St. John-Albert has said.

Mr. ZAPLITNY: If the amendment is adopted does it leave it open to the employer as well as the employee to appeal?

Mr. CHEVRIER: Of course it does, and that is why I object to the amendment proposed by the member for St. John-Albert.

Mr. HERRIDGE: I am opposed to this amendment. I was in the legislature of British Columbia and had occasion to deal with hundreds of compensation cases in the lumbering industry, and I have heard a similar proposal discussed by labour organizations and by many individuals, some even who had received unfavourable decisions from boards. I must say, Mr. Chairman, my experience has shown me that there is general opposition from organized labour and from working people themselves to the principles enunciated in the amendment. In my opinion we would be wise to follow the practice of provincial boards.

Mr. McMASTER: I believe that wherever possible there should be one appeal, and that appeal should be to a court which would be reasonably accessible in each province. In Ontario in many cases the workmen's compensation board have given inadequate compensation. I shall give one example. Some years ago a man who had come from Nova Scotia and was working in a mine lost the partial use of one hand. The compensation board paid him $800, and he had to return to Nova Scotia. He could no longer be a miner; he had to return to the place whence he had come, with the opportunity of earning the money which he had previously earned absolutely gone. The sum of $800 would not go

very far in repaying him for the loss of the use of his hand, as he had to make his living out of labour.

I should like to mention something which I overlooked. Suppose a man who is working on a ship which fishes for tuna in the southern Pacific leaves Vancouver on the ship, would he be a fisherman or a sailor? If he was a fisherman and was injured—and he would have good opportunity of getting injured on one of these ships—he would be entirely outside the act. I overlooked that example when the proper section was under discussion. I believe there should be one appeal, and I am quite willing to admit that it should be the appeal of the workman.

In Ontario the workmen's compensation board have a large fund. I would hate to tell how much has been gathered together. It is true that the employers are interested only in keeping down the claims so that they will not have a bigger assessment made against them. It is a sort of indirect way of protecting themselves. For some reason or other the board has not been particularly liberal with the workers. For that reason there should be one appeal.

Mr. CHEVRIER: A moment ago the hon. member for Davenport asked a question arising out of a portion of section 7, the disability section. The answer to that question is to be found in subsection 4 of section 24. I believe the hon. member for High Park is in favour of an appeal to a higher court, as is the hon. member for St. John-Albert, who moved the amendment. The answer to the questions can well be found in those who have had experience over the years in handling compensation cases. Both hon. gentlemen, who are lawyers, will agree with me that Ontario, more particularly, has gained a wide field of experience in that regard. The legislature of that province has seen fit not to include in the act a section giving the workmen, or for that matter the employer, the right of appeal. I have the workmen's compensation act of Ontario before me, and the language is as strong as, if not stronger than, the language used in the bill now before the committee. I think we would be well advised to take advantage of the experience gained by that province. In British Columbia there is no appeal from the findings of the board; there is no appeal in Quebec. So far as the question of fact is concerned there is no appeal in New Brunswick. I am not too sure whether I understood my hon. friend aright this morning, but perhaps he did say that that had been amended and that there was now no appeal in his own province of New Brunswick, either on a question of law or on a question of fact. I think we would be well advised to follow the practice in these provinces, because in some instances, at least under the Government Employees' Compensation Act, we have to work through the provinces. I can think of some cases in which under that act the applications are made directly to the provincial boards and through the Department of Transport, handled by us but using the provincial board as an agency for the adjudication of these cases. I think we would be ill advised to change the section, particularly in view of the experience and practice over the years as I have indicated.

Mr. HAZEN: No people have had greater experience in workmen's compensation matters than the people of the United Kingdom, and there they have the right to appeal. I should like to cite another British case. A man who was working sorting wool in a factory contracted a disease in the eye which blinded him. The wording of the act is "injury by accident." The board held that he was blinded while he was working in the plant, but they said that it was not injury by accident. The argument was that a bacillus which is found in wool had entered his eye and blinded him. The board said that that might be so, but it was not an injury by accident, and they so ruled. Under the British laws the workman had an opportunity to appeal and he did so. The case went to the House of Lords, they found that the man had suffered an injury by accident and was entitled to compensation. When you set up boards of this kind you gave them arbitrary powers and you take away from the people the right to appeal to the courts where justice is administered. If you do that you are doing a great disservice to them, and it does not make any difference to me whether the recommendation comes from a labour union or anybody else. The courts are set up to do justice, and if a man feels that he has not had justice done to him he should have the right to appeal to the courts.

Mr. MacNICOL: I am well aware that labour unions are opposed to an appeal in the case of an injury to a workman. The same is true of industry, but I am thinking of the man who gets nothing. Where is he to get his chance? I have a case in mind, but I will not state in which province it happened because I am not in conflict with any workmen's compensation board. The man of whom I am thinking worked in a foundry, under pitched windows with nothing between him and the windows. It was a very cold room, and he caught what turned out to be

the cause of his death. He could not prove it. I went to see him just before he died. The board turned him down flat. In my judgment his death was the direct result of the conditions under which he had to work. He had no appeal. I am not finding any fault with any board. I quite agree that it would never do to allow workmen to have to face high-priced lawyers interested in the employers. If there was some place else to which they could go I do believe the workmen should have the right to go there. If this man of whom I speak had had a chance he might have obtained redress because the workmen's compensation board turned him down flat. When that is done a workman has no further chance.

Mr. McMASTER: I should like the minister to believe that what I am giving is the experience in Ontario. The people of whom I am thinking are the workmen, not the employers. This matter has not been lying dormant, by any means. It has been brought up in the legislature of Ontario, and very strong protests have been made in regard to it. It just happens they have not got around to amending the act, though I do not know why. There are many acts which need amendment, and this is one of them. I suggest that for the benefit of the worker one appeal should be allowed, and that to some judge, because I suggest that a judge would have a greater sense of his responsibilities than would most of the men who might be appointed to workmen's compensation boards, and we can trust a judge to do the right thing. There may not be many appeals, but there would be enough to satisfy the people, and perhaps redress some of the injustices.

Mr. WARREN: Who is going to pay the costs of the appeal?

Mr. McMASTER: That would be left to the judge. If the workman should win, the compensation board would pay the costs. If the workman lost, he would pay them. I would not suggest that every case should be appealed, but only the bad ones. If an appellant had a good case and was willing to risk the money it would cost him, he should be allowed to go to a high court judge.

Mr. WARREN: I suggest that many labourers would lose a large part of their benefits if they were in a position to appeal their cases. I have no doubt it would be beneficial to the legal profession, but I doubt whether in the long run it would be of much benefit to the labouring man. I think in perhaps ninety-nine per cent of the cases the judgments of the compensation board are fair and just, and I do not think a labouring man would benefit by being permitted to appeal to the courts.

Mr. HAZEN: May I say just a word on the question of costs? It may cost something, though I have never found that a lawyer who had a workman as a client charged him a great deal.

Some hon. MEMBERS: Oh, oh.

Mr. HAZEN: But that is not the point I am making, whether it would cost much or little. I want to refer to the case of Brintons Limited v. Turvey, which was decided in the British House of Lords in 1905. It must have cost something to take that case to the House of Lords, but it entirely changed the law as to the rights of workmen under the compensation act. If it had not been for that case and the decision of the House of Lords at that time, the workmen never would have obtained what they now receive under the workmen's compensation acts in Great Britain, and many other parts of the empire. That was the governing case, decided in 1905, and as a result for the last forty years workmen have been getting what they never got before. I should like to read the brief note on that case, to give hon. members a better idea of what it was about. It is taken from *The English and Empire Digest,* and reads:

> While a workman was employed sorting wool in a factory a bacillus, according to the medical evidence, passed from the wool to the eye of the workman, and infected him with anthrax of which he died: *Held*: this was a case of "injury by accident" within the meaning of Workmen's Compensation Act, 1897.

That changed the whole law. From that time on a workman was able to get compensation if in the course of his employment he contracted a disease through a bacillus. Surely if it did cost something to establish that principle, it was well worth it. If it had not been for that particular case; if there had not been the right of appeal, that board would be still holding that if a workman contracted a disease while at work he would not be entitled to any compensation at all.

Mr. MacNICOL: I quite agree with the statement that in the very great majority of cases the workmen's compensation boards give complete satisfaction. I do not agree with the suggestion of the hon. member for Renfrew North that satisfaction is given in ninety-nine per cent of the cases. I have come in contact with the odd one, like the case I mentioned of the workman who had the misfortune to have a shell fall on his foot, and he

did not get satisfaction. I am not finding fault with the boards; in the main they have done an eminently satisfactory job, but I cannot get clear in my mind where the poor fellow who is entitled to compensation and is turned down can appeal in order to get satisfaction. I think that is a matter worthy of consideration.

Mr. ZAPLITNY: This section provides that decisions and findings are to be conclusive as well as final. Does that mean any case which has been turned down by the board cannot be resubmitted and new evidence given, and is there any limit to the number of times that may be done?

Mr. CHEVRIER: No, there is not. I intended to say something on that when I replied to one other hon. gentleman. While the bill as now framed does not cover the question of an appeal, still the case can be reviewed many times. I know that in Ontario I personally have had cases reviewed as often as four and five times, when I was able to show additional circumstances surrounding a case.

Mr. GRANT: Did you charge them much?

Mr. CHEVRIER: Too little. I believe this board will take the same view.

Mr. McMASTER: Did the workmen's compensation board hear you as a solicitor?

Mr. CHEVRIER: Oh, no; the workmen's compensation board did not hear me as a solicitor, but I made representations in writing, by affidavit and using medical evidence that I was able to submit, and I was always accorded a hearing.

Mr. McMASTER: You did not put your name on the documents as a solicitor, did you? That used to be considered a detriment to a claimant's chances.

Mr. HAZEN: How could you put in a claim other than as a solicitor? Not as a politician!

Mr. WARREN: I think that answers the hon. member for Davenport; there is a form of appeal. If a man feels he has not obtained justice he can go to his minister or his doctor or a friendly lawyer acting outside of his professional capacity, and have the case reviewed. I have no doubt the hon. member for Davenport has often had these matters reviewed and adjusted. I know I have, both as a member of the Ontario legislature and as a member of this parliament. I believe the workmen's compensation board is always ready to give consideration to any letter written on behalf of any client, when it is written in a friendly spirit, giving them all particulars. They are always ready to review a matter and see that justice is done.

Amendment (Mr. Hazen) negatived on division.

Section agreed to.

Section 19 agreed to.

On section 20—Order enforced as a judgment of the court.

Mr. McMASTER: As I see it, this section is one of the weaknesses of the bill. I understand this board will have no funds of its own, but will merely make an order that the employer pay the money.

Mr. CHEVRIER: Yes.

Mr. McMASTER: I should think that substantial numbers of workers covered by the Ontario compensation act would be working for the railway companies and possibly the steamship companies, and there would be certain numbers of seamen working either with small companies or for individuals with no great financial backing. The only protection for a seaman who was injured while working for one of these smaller employers would be through the bond, to which the minister has referred. If a bond were not given and a seaman were injured I assume that he would have a valid claim for the protection this measure affords. Since no funds are in the hands of the board, where would a workman receive his protection if he were working for a financially unstable employer? We must face the fact that the widow of a disabled seaman might live for some considerable time, and under conditions which would not disentitle her because of the conditions set out in the bill.

Mr. CHEVRIER: If the employer refuses to insure, then under one of the sections mentioned a minute ago the ship is stopped by the customs officer.

Mr. McMASTER: Let us suppose it is not stopped. Could it not easily happen that a ship would sail without the bond being given, and an employee suffer injury in the course of his duties.

Mr. CHEVRIER: I suppose it could happen.

Mr. McMASTER: It is more likely to happen in that event than in the other cases where insurance has been placed.

Mr. CHEVRIER: I should not think so, because the experience of the board thus far has been that there are few if any cases of that kind. The moment these regulations were put into force by order in council,

employers were advised and were referred particularly to the clauses which stated that insurance had to be taken out. I know of no case in which an employer has refused to take out insurance.

Mr. McMASTER: If it happens, what will be the protection for the seaman who has been injured?

Mr. CHEVRIER: He may still take action against the employer, the owner of the ship.

Mr. McMASTER: Can he come under this measure as it is framed? I thought that the protection of taking action by the employer was taken away a minute ago by a previous section of the bill.

Mr. CHEVRIER: I am informed the board would issue a judgment under the act. It would be registered and then executed against the employer.

Section agreed to.

Sections 21, 22 and 23 agreed to.

On section 24—When compensation not payable.

Mr. ZAPLITNY: In paragraph (a) it is stated that notice of the accident is given as soon as practicable. How would that be construed?

Mr. CHEVRIER: I think the hon. member need have no worry about the construction which might be placed upon the word "practicable", because of what is contained in subsection 4, where it is set out that failure to give the prescribed notice or to make such claim or any defect or inaccuracy in a notice shall not bar the right to compensation.

Mr. ZAPLITNY: Then the same paragraph states it must be given before the seaman has voluntarily left the employment in which he was injured. If an employee were seriously injured to-day, and if to-morrow his organization went on strike, would it be construed that he had voluntarily left employment, with the result that his case would be prejudiced?

Mr. CHEVRIER: I do not think it would be construed in that way.

Section agreed to.

On section 25—Employer to give notice.

Mr. MacNICOL: This section provides that:

> Every employer shall, unless relieved by order of the board, within sixty days after the happening of an accident to a seaman in his employment by which the seaman is disabled from performing his duties or which necessitates medical aid, notify the board in writing—

And so on. In a case of the kind I mentioned a minute ago, where the workman would be off for only about six days, would not the employer have to notify the board? I think the employer should give notification of all accidents, whether or not compensation is claimed.

Mr. CHEVRIER: I am informed that under the board's order the employer would not be required to notify the board if there has been injury necessitating a lay-off for anything less than seven days.

Mr. MacNICOL: There is no point in moving an amendment, but I believe every employer should be compelled to give notice, even if the employee is laid off for only three or four days.

Mr. CHEVRIER: The hon. member realizes of course that if the employee is out of work because of injury or accident for more than seven days, even though that lay-off is for only eight days, the employee would recover for the full eight days.

Section agreed to.

Sections 26 to 43 inclusive agreed to.

On section 44—Seaman entitled to medical aid, etc.

Mr. FRASER: Would this include dentures?

Mr. CHEVRIER: Yes, that is stipulated.

Section agreed to.

Sections 45 and 46 agreed to.

On section 47—Board may make rules, orders and by-laws.

Mr. GREEN: Should there not be a provision in this section for laying regulations before parliament?

Mr. CHEVRIER: I am informed it is not done in other cases, although I would have no objection to doing so. I do not think however that any hon. member has ever had difficulty in obtaining them from time to time. There is also involved the question of placing on the table of the house orders for payments of compensation.

Mr. GREEN: Why?

Mr. CHEVRIER: Because it is done by virtue of the section. That is a matter of personal or private nature, and I do not think the hon. member would want that information.

Mr. GREEN: No one would want that. But the board is given power to make rules which, I presume, are the same as the regulations to which most acts refer. All I am suggesting is that rules made by the board which

would be of general interest to those of us who have seamen in our constituencies should be made available by having them laid on the table. Otherwise one would not know what the rules are. It seems to me that is a safe plan to follow in measures of this type. Regulations should be laid on the table of the house.

Mr. CHEVRIER: The hon. member would have no difficulty in getting them from us. There might be a time when parliament would not be sitting and when regulations would be passed, in which case the hon. member would get them more quickly than he would if they were laid on the table of the house.

Mr. GREEN: If the minister will check the other acts, such as the veterans allowances act and the Veterans Land Act, he will find that provision is made for laying the regulations on the table within a certain time after the house sits, if it does not happen to be sitting at the time the regulations are passed.

Mr. CHEVRIER: I shall be glad to do that.

Section agreed to.

Section 48 agreed to.

On section 49—Costs chargeable against employers.

Mr. MacNICOL: These costs might be very heavy on an individual employer, but if he were insured the insurance company would have to pay them?

Mr. CHEVRIER: Yes.

Mr. MacNICOL: Will they all be insured?

Mr. CHEVRIER: Yes.

Section agreed to.

On the title.

Mr. CHEVRIER: I told the hon. member for Lake Centre that I would put on *Hansard* the opinion of the Department of Justice with reference to the jurisdiction of the federal parliament to enact legislation of this kind. It is a fairly lengthy document, and if the house will consent I will put it on *Hansard* without reading it.

Some hon. MEMBERS: Agreed.

(The opinion follows.)

I have to refer to your letter of March 18 enclosing for my opinion a copy of the merchant seamen compensation regulations. Your questions together with my answers thereto are as follows:

1. *Question:* Whether it is within the competence of the parliament of Canada to enact legislation incorporating the provisions of the merchant seamen compensation regulations, 1945?

Answer: Yes.

2. *Question:* If your answer to question 1 is in the affirmative, whether it is within the competence of parliament to enact legislation extending the provisions of the said regulations to cover the whole field of workmen's compensation for seamen employed on ships registered in Canada or operated by persons resident or having their principal place of business in Canada?

Answer: Yes.

3. *Question:* Whether it is within the competence of parliament to enact legislation extending the provisions of the said regulations to cover seamen employed on ships registered in Canada or operated by persons resident or having their principal place of business in Canada when such ships are engaged in voyages between any of the provinces of Canada or extending beyond the limits of any such province?

Answer: Yes.

4. *Question:* Whether the legislatures of the provinces have power to enact legislation covering the subject matter of the said regulations in whole or in respect of seamen who are residents of the province and are engaged within the province to serve on a ship registered in Canada or operated by persons resident in Canada or having their principal place of business in Canada when such ship is employed in voyages between any of the provinces or extending beyond the limits of any such province?

Answer: The privy council has held that provincial legislation relating to workmen's compensation and applicable to seamen who are residents of the province is valid. As I read the decision, it was not restricted to operations within the province, nor to ships operated by persons resident or carrying on business in Canada. The legislation, however, was general in character applicable in the case of workmen generally.

5. *Question:* In the event of a conflict between dominion legislation and provincial legislation covering the same subject matter as outlined in the above questions, which legislation would be inoperatitve?

Answer: Dominion legislation would prevail.

The Deputy Minister, Department of Transport Ottawa. F. P. Varcoe, Deputy Minister

Mr. CHEVRIER: I should like to revert to the question raised by the hon. member for New Westminster in connection with section 5. I think he was in order in making the suggestion which he did, and I shall ask the Minister of Justice to move:

That clause 5, subsection (1), line 16, be amended by inserting the word "not" after the word "notice."

Mr. ST. LAURENT: I so move.

Amendment agreed to.

Mr. McMASTER: What about these tuna fishermen? Are they considered as fishermen or as seamen?

Mr. CHEVRIER: I thought I had answered that by saying that they are not covered by this bill.

Mr. McMASTER: I did not know this matter had been raised before. Why would they not be covered?

Mr. CHEVRIER: They would come under the class of fishermen and not seamen.

Mr. McMASTER: How are the fishermen covered?

Mr. CHEVRIER: I answered that this morning at some length in reply to the hon. member for Cariboo. It is a matter for provincial legislation.

Mr. McMASTER: Suppose a man who lived in Alberta joined a ship in Vancouver and sailed to the tuna fishing ground, what would be his status?

Mr. CHEVRIER: He would be covered by the British Columbia act, if it includes fishermen.

Mr. GREEN: What is the present position with regard to setting up a maritime commission in Canada? There was some discussion in the house last year about this matter, and it was intimated that a maritime commission would probably be set up. I believe this has been requested both by the seamen and by the ship owners. What is the position at the present time?

Mr. CHEVRIER: That is hardly a matter for discussion on a bill to provide compensation for seamen. The matter of a maritime commission is a broad question and it could not be decided without very careful study. The matter has been and is being given careful consideration.

Mr. GREEN: Has the minister any idea when a decision will be reached?

Mr. CHEVRIER: I am sorry I have not.

Title agreed to.

Bill reported, read the third time and passed.

CANADIAN NATIONAL RAILWAYS

PROVISION TO MEET CERTAIN EXPENDITURES AND GUARANTEE OF SECURITIES AND INDEBTEDNESS

Mr. R. W. MAYHEW (Parliamentary Assistant to the Minister of Finance) moved that the house go into committee to consider the following resolution:

That it is expedient to bring in a measure to authorize the Canadian National Railway Company to issue securities not exceeding $22,550,000 in principal amount to provide the moneys necessary to meet capital expenditures made or capital indebtedness incurred during the calendar year 1946; to authorize the governor in council to guarantee the principal, and interest of securities issued by the company for the purpose aforesaid; to authorize the making of temporary loans to the said company secured by such securities and not exceeding $22,550,000 in principal amount to enable the said company to meet such expenditures and indebtedness; with authority to give financial aid and assistance to other companies of the said national system.

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

Mr. MAYHEW: Probably it will expedite the passing of the bill which will follow if I made a brief explanation at this time. It is not intended to ask for any more than the approval of the resolution to-day. The bill will be before the house in the morning and probably we can complete it then. The bill to be founded upon this resolution is for the purpose of providing authority for the financing of capital expenditures of the railway system and the retirement of miscellaneous maturing obligations, either by way of loan from the dominion or by the issue of securities of the company to the public and guaranteed by the dominion government. The total amount to be provided for this purpose is limited to $22,550,000, made up as follows:

Additions and betterments (less retirements)	$14,000,000
New equipment	8,863,000
Acquisition of Manitoba railway	7,000,000
Acquisition of securities	410,000
Retirement of maturing capital obligations, including sinking fund and equipment principal payments	9,777,000
	$40,050,000
Less: Available from reserves for depreciation and debt discount amortization	17,550,000
Total	$22,550,000

The capital budget as set out above was approved by the standing committee on railways. While total loans, if all expenditures are made, will aggregate $22,550,000, there will be a net increase in the debt of the railway company of $12,773,000, because $9,777,000 will be used to retire obligations presently outstanding.

Mr. GRAYDON: May I ask the parliamentary assistant to clarify one point? I think he indicated that the budget of the railway had been approved by the appropriate standing committee; is that so?

Mr. MAYHEW: That is right.

Mr. GRAYDON: Since I was not a member of that committee, perhaps I may be allowed to deal with some elementary matters. Were all the details of the expenditures which the

railway proposes to make in connection with the resolution now before us gone into by the committee?

Mr. CHEVRIER: As the hon. member knows, the committee deals with the budget in detail and hears the evidence of officers of the Canadian National Railways such as the president, the executive vice-president, the comptroller and others, some five or six in all. A report was made to the house by the committee approving the budget as it now stands.

Mr. GRAYDON: According to the parliamentary assistant's statement, some of this money is to provide new equipment, I believe something like $9,000,000.

Mr. MAYHEW: That is right.

Mr. GRAYDON: I should like to make one observation and it is not to be taken as necessarily approving the terms of this resolution. I think one of the things that has struck the ordinary layman who has observed the work of the railways during the war was how the railways were able to carry on throughout the entire war period with so few accidents as actually occurred with the equipment they had. I was very much struck by the report which was made by the department not so long ago and which was in the hands of all hon. members, indicating that during the war period the ratio of accidents on the Canadian railways was actually less per person travelling than in the years prior to the war. That is a clear indication of what a grand job the railways did while the war was on, and that is no reflection, of course, on their work in time of peace.

On a previous occasion in this house I and other members have paid some tribute, as best we could in our humble way, to the work of the railway employees on the civilian front during the war. There was a great expansion in railway business during the war. That is on the records of this parliament in two or three sessions and I need not reiterate the details. I mention it only to point out that additional precautions must have been observed by the railways to do what they did with so few accidents. Indeed, on the civilian front there were not many, if any better jobs done that that done by the railway workers in Canada, particularly when we bear in mind that there was not the time or the opportunity or the materials for them to repair and overhaul their rolling stock as they would have done in the more leisurely peacetime period. I am not surprised that both the major railway companies in Canada are now taking steps to put their rolling stock in shape and pick up the slack which inevitably occurred during the war.

I take it that this $9,000,000 is required not only for new equipment but for the repair and overhauling of the old equipment. I am told also that some of the roadbed throughout the country is badly in need of ballast to bring it up to its normal peacetime condition. It was not possible to do that during the war because of the shortage of manpower and materials. In making these observations, I believe that I am expressing the reaction which most laymen feel to the railway situation as they understand it. I do not pose as an expert on railway matters; far from it, but I did wish to pay this tribute to the railway companies and to the railway workers who made it possible for the railways to carry such a tremendous load during the war with such speed and dispatch and with so few accidents. I do not suppose any of our railway workers, had you asked them in 1938 or 1939 if the railways could carry the increased number of passengers and increased freight tonnage which they did carry during the war, would have thought that it would be possible for the railways to do it, with such efficiency and with so few accidents.

Mr. BROOKS: I agree with what the hon. member for Peel has said, that the railways did a splendid job during the war. We all know that they had very little man-power to keep up their roadbeds during the war, and we observe that considerable work along that line is now being done. I would ask the minister if during good years the railway sets aside a reserve for repairs and maintenance. The war years were good years for the railway because they had surpluses instead of deficits, and I am wondering if such a reserve was set aside.

Mr. MAYHEW: Yes, there is a reserve for deferred maintenance. I can give the figures when the bill is before us.

Mr. BROOKS: If the railway had such a reserve fund, why are they asking now for this amount from consolidated revenue?

Mr. MAYHEW: This amount is not for repairs and renewals but for additions, with the exception of the amount for the purchasing of the Manitoba railway and the $410,000 for the retirement of certain securities. Everything else is for new equipment. The item of $17,500,000 has already been spent in road maintenance. In addition, there is a deferred amount.

Mr. BROOKS: I was basing my remarks on the supposition that new equipment was being bought to replace the worn-out equipment.

Mr. MAYHEW: A lot of this is for new equipment. The repair of old equipment would come out of ordinary repairs and renewals currently carried on by the railway company, the details of which will be given when we come to the bill. The expenditure can only be given by regions. We will also give the type of equipment that is being purchased.

I am sure that every member of the committee will agree with the statement made by the hon. member for Peel that this country as a whole is most grateful to both the railways for the service they have given to Canada during the war, grateful not only to the management but to the men in all branches of both railways. They have carried on and given this country a service the like of which we have never known and never thought was possible. Probably no one had a better opportunity of realizing the handicaps under which they carried on this work than one who has spent the greater part of a month each year in travelling between Victoria and Ottawa and finding out what the men have to do. When you see a workman on his back under a car fixing up the steamline when the temperature is 40 degrees below zero, and he finally gets you away on time in such weather, you have an appreciation of what the men on the Canadian railways have done for the people of Canada during the past six years, and I am sure they will appreciate very much the references that have been made to them by the hon. member for Peel.

Mr. FULTON: I should like to ask the minister some questions, and if the information is not now available, perhaps it might be given when the bill is before us. What prompts me to ask these questions is that in normal times the Canadian National Railways shows a deficit. It has been suggested that one of the reasons for that is its heavy capitalization and its large bonded indebtedness. It carries such a load in that respect that never except in war years can it show figures in the black; they are generally in the red. I wondered whether it would be feasible to write down the indebtedness of the Canadian National Railways in so far as it is held by the government, because it seems to me that we are fooling ourselves. If the Canadian National pays all its surplus into the government anyway, so that the country gets the benefit of any surplus earnings, simply because those earnings do not cover the amount of the bonded indebtedness we show the system in the red. If that is the case a change could easily be effected and it would not do us any harm, whereas it would have a salutary effect on the morale of the railway, both employees and management. That was what I had in mind and what prompts me to put certain questions, the answers to which I shall be glad to get if it is at all possible for the minister to give them to-day. If he cannot let me have them now he can do so at a later time. The questions are these. How much of the outstanding liability of the Canadian National is held by the government, and how much in the hands of individual bondholders? The second question is this: How much did the Canadian National Railways actually pay into the government during the war years, in the form of surplus earnings as profit? What profit did it show and pay to the government or into the consolidated revenue fund in the years of the war? Third, was any of those profits used to pay off bonded indebtedness, or was it all absorbed in reducing previous deficits which had been charged up, or what was the final disposition of it?

Mr. CHEVRIER: The hon. gentleman has referred to the question of fixed charges of the Canadian National Railways. That matter has received the attention of the committee on railways and shipping, but the report has not yet been completed. It will be tabled, I presume, in the ordinary course of the business of the house. I would not care to comment on that aspect of the matter until I myself have seen the report, but I can tell the hon. gentleman that the question of fixed charges is being given careful consideration by the Canadian National itself, by the committee which was set up to study the subject, and also by the government. With reference to the other questions which he has asked, if he will look at the annual report of the Canadian National Railways he will find there most of the answers to his questions, in fact all. If he has not already got the report I shall be glad to see that it is sent to him.

Mr. FULTON: Does that cover the question of the holding of bonded indebtedness—those who hold it?

Mr. CHEVRIER: Yes.

Resolution reported, read the second time and concurred in. Mr. Chevrier thereupon moved for leave to introduce bill No. 346, to authorize the provision of moneys to meet certain capital expenditures made and capital indebtedness incurred by the Canadian National railways system during the calendar

year 1946, and to authorize the guarantee by His Majesty of certain securities to be issued by the Canadian National Railway Company.

Motion agreed to and bill read the first time.

EXPORT CREDITS INSURANCE ACT

ENLARGEMENT OF PURPOSES FOR WHICH CREDITS MAY BE USED—CONCURRENCE IN SENATE AMENDMENT

Hon. J. A. MacKINNON (Minister of Trade and Commerce) moved the second reading of and concurrence in amendment made by the senate to bill No. 126, to amend the Export Credits Insurance Act.

Mr. FRASER: Will the minister explain the amendments?

Mr. MacKINNON: The only amendment suggested is in section 11, amending section 22A, paragraph (a). The words in the bill as it passed the house were "to pay or guarantee the payment." The amendment is "to pay its guarantee of payment." That is the only change and we are prepared to accept it.

Mr. FRASER: Why is the change being made?

Mr. MacKINNON: I believe it was the opinion of those who suggested the amendment that, as the act read, the government might guarantee the guarantee of the other government; but they wish to go farther and make the government actually responsible for the payment of the guarantee of the other government.

Mr. FRASER: So that this government will absolutely guarantee the payment of it.

Mr. MacKINNON: That is correct.

Mr. FRASER: What exports have been covered by this act in the last year? In the monthly review it says $12·9 million. Has there been more than that?

Mr. MacKINNON: I have no information in addition to what I gave when the bill was before the house. I could get it.

Mr. FRASER: Members would like to know, because this legislation set up $750,000,000. At the time they thought they would use all that, but evidently they are using only a few millions.

Mr. MacKINNON: I am sure I am right in saying that no additional moneys have been used since the bill was before the house.

Mr. FRASER: What procedure does the exporter follow in coming to the department for the guarantee?

Mr. MacKINNON: The exporter comes in the same way as he would go to any insurance company to take out a policy on his goods.

Mr. FRASER: And after that the department issues an export permit for him?

Mr. MacKINNON: We issue a policy.

Mr. FRASER: Yes, I know; but you might not issue him an export permit. That, too, is up to the department?

Mr. MacKINNON: Yes. We satisfy ourselves that he has an export permit.

Motion agreed to, amendment read the second time and concurred in.

CANADIAN COMMERCIAL CORPORATION

ASSISTANCE IN DEVELOPMENT OF TRADE WITH OTHER COUNTRIES

Hon. J. A. MacKINNON (Minister of Trade and Commerce) moved the second reading of bill No. 251, to establish the Canadian Commercial corporation.

Mr. FRASER: Will the minister make a statement on this?

Mr. MacKINNON: I gave a complete statement and I did not anticipate the necessity of going over the same material again.

Mr. DAVID A. CROLL (Spadina): Mr. Speaker, I intend to take the opportunity of saying a few words on this particular bill because it deals with the matter of trade, and particularly foreign trade. To-day Canada is faced with the greatest opportunity for obtaining foreign trade that it ever had. Hon. members know that there is a world-wide hunger for all kinds of goods, manufactured as well as raw materials, and that two important exporting nations, Japan and Germany, have been put out of business, probably for our generation. In addition to that, all the European countries, once the source of much of the world's low-cost consumer goods, have had their manufacturing plants either impaired or dislocated by the war. Not only have we the traditional consumer countries like South America starving for goods, but even producer countries which have not been able to get their war-stalled industries running are crying as never before for goods, and looking to the remaining industrial countries such as Canada to provide them. At the same time I point a note of warning that already some of the European countries are in the export market. Holland is already in the market in the West Indies. Some of them are recovering even

more quickly than we expected. Belgium is having a quick recovery. At the present time Canada stands in a unique position. Here we have an industrial plant untouched by the ravages of war and expanded to the point where we are one of the foremost industrial nations of the world. We have not only pre-war industries; but we have stepped up tremendously our new industries, new processes, and we have increased our productivity more than the most optimistic person would imagine possible. Added to this, we have the good will of the entire world. The world knows that it can trust us and do business with us.

I think I understand Canada's present foreign trade policy. It is as follows, and I think I can best bring it to the attention of the house under four points. The first is to meet our commitments abroad; the second, to police exports of certain goods, for example, aeroplanes and uranium; third, in the case of goods which have a bearing on our internal economy, for example, those on which there are domestic subsidies, to see to it that the subsidies are repaid before the goods are sent overseas; and fourth, to maintain adequate civilian supplies for Canadians. I do not think I go too far when I say that the policies of this department will determine to a large extent whether we prosper or stagnate economically during the years immediately ahead. It is a department with enormous responsibilities, but also one which is indeed very well run. For a number of reasons it is a department which must find it difficult to plot its actions too far ahead. It has to find markets for Canadian goods, and if conditions in those markets change suddenly because of foreign competition, it must be in a position to meet that competition and secure the markets for Canada. What we can agree on is that we, as a nation, must export more goods than we ever did before or else we stagnate economically. We have just experienced a period of full employment because of the war. We know that Canada's industrial capacity has been tremendously expanded. None of us suggests that our present population can consume the products of our enlarged industry. There are those of us who advocate increased immigration, but we who favour that policy are not so naive as to believe that the results we seek can be immediately achieved. In the interim we have to sell abroad the products and the surplus that we have in our domestic market; and I suggest, in addition to the goods which are surplus to our domestic consumption, some of the products which are in domestic demand at the present time.

We have always relied in this country upon exports to give our people jobs and profits and a reasonably good sort of living. In the past twenty years exports have meant $10 a month to every man, woman and child in the country; or to put it another way, $650 to every farm in Canada. These figures come from the current letter of the Royal Bank of Canada, which I commend to the attention of hon. members. This is an approach to the problem from the long-range, or twenty-year aspect. That was not so serious a problem so long as our economy was based on the production of foodstuffs which the world must have in order to eat and to live. But the war has brought a fundamental change to Canada and I doubt whether we can regard ourselves any longer as primarily an agricultural country. In making ourselves what we like to boast of as the arsenal of democracy, we built up a problem for the future, the problem of distributing the output of our greatly expanded industrial plant. The same factories which built the vehicles, the weapons and all sorts of military incidentals for half a dozen nations besides our own obviously were too big in peace time for merely domestic production. Therefore we cannot accept as our present needs either the quantity or the composition of our pre-war exports. We have to become major suppliers of manufactured goods as well as of foodstuffs and minerals. We have to do so if we are to maintain production and employment and satisfied stomachs and well clothed backs. We can no longer simply strive to continue that $10 per person a month that the Royal bank reports as the twenty-year average; we can no longer accept the one-third of our dollar which the department advertises as the surprising fraction of our individual income which derives from export trade. At least one of our best known economists sets the figures at 40 per cent rather than at 33⅓ per cent. That it has to be high is unquestioned except by those of the most unconventional economic views. Most of my C.C.F. friends will agree, I imagine, with their British socialist colleagues who have given the expansion of exports No. 1 place on their economy programme. Admitting then, as most of us do, that exports must be increased we can surely proceed to the further admission that it must be done in a hurry. International competition is not such that it will wait a gradual and painless adjustment of the Canadian economy to the drastically new set of conditions. Rather the adjustment must not only be abrupt but may be even a little painful if it is to achieve its purpose.

What must we do then to get our share of the world's markets which we so urgently require? I think the house will agree when I say we must first produce. Then I call atten-

tion to the fact that there is no production from an idle factory; there is no production for export in the midst of an industrial struggle as bitter as Canada has ever known. There is no production for export when labour and management are locked in the throes of a long-term battle for and against upward revisions of wages and consolidation of contractual agreements and working conditions. There is no production for any purpose when a plant is closed tight by a strike, and we may as well face the fact that the strikes we have to-day are perhaps but preliminary to a wave of walk-outs, against which neither the government nor management has advanced any effective, constructive policy.

There are three parties to production: management, labour and the investor. I find myself unable to criticize those who provide the funds for industry. The banks and trust companies, to say nothing of the well-heeled private investor, are eager to give their support to ventures in foreign trade. The institutions I have just mentioned have devoted a great deal of their advertising and publicity to an endeavour to create export-mindedness among Canadian manufacturers, but as far as the other parties to industry are concerned there is an attitude which I may be permitted to call unenlightened self-interest. They are shutting their eyes to the fact that by suspending production to-day they are eliminating opportunities for export to-morrow. Management has not been too greatly concerned with strikes in its plants when, in that appallingly significant phrase it likes to use, "it has been working for Ilsley". You hear this often, and I challenge anyone to suggest a more complete confession of the absence of social responsibility.

Labour, on the other hand, has failed to appreciate that the picket line at the closed plant to-day may well be the forerunner of a jobless to-morrow. Anyone who has looked objectively at the industrial picture in Canada over the past six years would know that of necessity there would be an adjustment of wages, hours and working conditions after the war. Grievances piled up during the period when most unions were being faithful to their no-strike pledge. Living costs have risen in spite of the government's commendable effort; and there is reason in the personal experience of all of us to believe that advance has been greater than the percentage indicated by the indices maintained by the Department of Labour. Wages have to be increased; improved working conditions have to formalized by contract. Surely, with an appreciation of this fact, so apparent to anyone who is not a party to either side of industry, the transition should have been achieved without the serious stoppages we have undergone in the past year and which we have not yet settled. Management started out by offering nothing in response to the workers' demands, by obeying only the letter of our improved labour laws, or by skirting those laws entirely. They challenged labour to do its work and, labour having done so, they capitulated but passed on none of their new-found wisdom to their colleagues in industry. So strike has followed strike; defeat has followed defeat for management. Nevertheless each industry faced with the problem continues to act as though its own were the very first strike to be faced by any member of the Canadian Manufacturers Association. The thinking of management in reference to labour has been in a vacuum. If management approached business deals with as little know-how as it approaches labour problems, management would soon be retailing the apples which the hon. member for Fraser Valley (Mr. Cruickshank) so actively promotes in this house. On the labour side the picture is also disheartening.

Mr. WRIGHT: On a point of order, Mr. Speaker, while the hon. gentleman is delivering a very good speech, certainly it is not on the Canadian Commercial corporation. The hon. gentleman is dealing with labour problems. I should like your ruling as to whether we are all to be permitted to speak on labour problems while discussing this bill.

Mr. CROLL: I am dealing with the matter of the production of goods for export, and that is what this bill deals with.

Mr. WRIGHT: I am not objecting, just as long as we are all going to be allowed the same privilege.

Mr. SPEAKER: I would direct the attention of the hon. member to the fact that on second reading of a bill it is the practice to discuss only the principle. The debate of course should be relevant to the bill and to the principle of the bill.

Mr. CROLL: May I point out that under section 5 of the bill the corporation may be importing goods or commodities into Canada or exporting goods and commodities from Canada. I am talking about the production of goods, and I am getting on to the policy. I started out by dealing with the policy of the Department of Trade and Commerce under four points, and I am dealing with them. The first was production, and I am going on to deal with the other points in detail. This

is the only opportunity I have to do so. On third reading I would not be able to go over the various sections, so that I submit I am quite in order.

Mr. SPEAKER: It is always disagreeable to have to interrupt any hon. member, but it is a well known practice that an hon. gentleman should not discuss particular sections of a bill during the debate on second reading. So that I would ask the hon. member to confine his remarks to the principle of the bill.

Mr. CROLL: I am not discussing a section of the bill; I am dealing with the Canadian Commercial corporation, which has to do with matters of export and import, and I think my remarks are in order.

On the labour side the picture is also disheartening. There is no question but that the majority of our strikes have been justified, but today we have what we might call the strike bug nibbling at the intelligence of some of our labour leaders, and in some cases a strike for a strike's sake. Returning to the point from which I started out, that we either step up our production and put an end to strikes or God help us, I would hazard the guess—

Mr. SPEAKER: I am very sorry to interrupt the hon. member, but I had to intervene in the past and I feel obliged tc intervene again. The hon. gentleman is discussing labour conditions and production. The bill before the house is to establish the Canadian Commercial corporation to deal with exportation and importation. I believe the discussion should be relevant to the bill under consideration, and I am afraid the hon. member goes a little too far afield.

Mr. CROLL: Very well, Mr. Speaker. I started out by speaking about production. My suggestion is that a greater proportion of production be earmarked for export. In Great Britain one-third of all production is earmarked for export.

Mr. JAQUES: That is why they are starving.

Mr. CROLL: My hon. friend says they are starving.

Mr. JAQUES: I suppose we shall starve too.

Mr. CROLL: I doubt that very much. I was over there for four years, under pretty difficult conditions. They were not starving, and they put up a pretty good show in the end. We know markets are waiting for us, but at the present time not only are exports being hampered by the policy—and more power to it—of supplying necessities to the war-torn countries of Europe, but our efforts are being nullified by a deep concern for the demands of the domestic consumer. This is stated to be one of the major considerations for dictating a continuance of the law requiring that any man who exports must, in the majority of cases, obtain an export permit from the government. My suggestion is that we earmark a certain percentage of all our productivity for export, so that when permits are withheld the suggestion will not be well founded that they are unreasonably withheld.

We still in this country, a land of plenty, respond with outraged screams to any suggestion that we might do with the second best for a while, if we have to sacrifice at the present time. I merely point to some of the newspaper comment, even in to-day's newspaper, where people in this country become extremely hot under the collar when they find out that some of our shirts are in both Jamaica and Trinidad. To many of us a natural contrast occurs. We might think of the well-to-do Englishman in his shabby suit, and perhaps in his frayed collar. We think of his satisfaction at the news that the best materials in the world, goods that he manufactures, are selling well overseas, although, of course, he is unable to obtain them. To him austerity has become a temporary way of life from which he expects to get dividends in better living at some time in the future, whereas to us austerity is just another word to look up in the dictionary.

We think of how pleased the ordinary Englishman must be to know that his ruined country was able to lift those exports from 33 per cent of the 1938 average last year to 95 per cent by quantity of that average in the first quarter of 1946. The goal is 75 per cent above the 1938 average. And, having trebled the total of exports in one year, he is well on his way to trebling them again in the next twelve months. He can do that only by forgoing the thing he would like to eat, that he would like to drink, that he would like to wear. My guess is that he will do it. I point out to the house that it is much easier to buy an English-made suit on King street in Toronto than it is on Saville row in London; and it is several times easier to buy a drink of "Scotch" on St. Catherines street, Montreal than on Princess street, Edinburgh. So I suggest that in our present crisis our government might well demand greater sacrifice from the people of Canada by way of a willingness to forgo luxuries in favour of future prosperity. If it is adequately

explained to them I do not think we would any longer find Canadians outraged when the minister reports that shirts they have a hard time in buying can be bought in Jamaica or Trinidad.

Our government might well lift export restrictions on goods urgently desired in countries willing to embark upon long-range trade agreements with Canada. Inevitably they will enter into such agreements with our competitors, if we cannot immediately undertake delivery.

I believe the house will agree that we must take our markets where we find them. While before the war three-quarters of Canada's exports went to Great Britain and the United States, only about ten per cent found their way to the far east. By confining ourselves to those two countries, we neglected Australia, New Zealand, India and China with a combined population of well over half a billion people, a most fertile field for trade development. As a result, this area, much of which comes within the scope of empire preference, was left to others to exploit. For example, the United States was able to secure much of the foreign trade which otherwise would have been diverted easily to Canada. With the disappearance of Japan from this field, a great share of the foreign trade becomes vacant, so to speak, and our goal in post-war trade expansion must be to fill that vacancy with Canadian goods.

The Latin-American market, about which much has been said lately, has many characteristics such as are typical of present-day conditions. There are great opportunities for trade in those countries. Yet we must not deceive ourselves into thinking that huge profits are there for the taking, or firm markets a certainty. To consider Latin-America as an export field, the position is that almost every country, in marked contrast to the pre-war condition, has a good deal of spare cash on hand. With the closing of the German and Japanese sources, there is a great demand for almost every type of goods. But many South American countries are controlling this demand by restricting rigidly the volume and type of imports. There is no intention of squandering on luxuries their wartime accumulation of foreign exchange. In view of the very low standard of living in South America, many standard articles in Canada are considered luxuries to nine-tenths of the people in South America.

I began by saying that, first of all, we need production. Then, as suggested, we need a diversion of a larger share of that production to export trade. The third recommendation is that, as Canadians, we learn a little more about world trading. We have not been very good at it in the past. We still labour under the delusion that if a line of goods is not saleable at home, it might as well be dumped on the world market and be sold there.

Mr. GREEN: That is not true of many types of business.

Mr. CROLL: I am told it has been a general rule, although those on the west coast, and also on the east, are possibly somewhat more foreign trademinded than are those of us in the rest of Canada.

Over the week-end I had a discussion with a few important manufacturers in Toronto, and discussed exports with them. Their view was that they were in no hurry about making any excursion into foreign markets, that in due time Canadian producers, having met domestic demands, would step in, cut prices a few cents, and capture whatever market appealed to them. I am sure the house agrees with me that that is a childish view. Does anyone think that without a knowledge of the taste, opinions, prejudices, and a thousand-and-one local factors in any given overseas market, anyone can step in and snatch it away from world traders who have been studying that market in detail for perhaps a hundred years?

It is a matter of record in the department that not long ago a Canadian manufacturer, taking advantage of a new entree into a west Indian market, took a chance on ignoring detailed instructions and shipped a cargo of materials in styles and colours which, from what he had read, he was sure would appeal to the negro inhabitants of the island. It so happened that these negroes traditionally abhorred the colours and styles of that shipment. Naturally it did not sell.

I ask the house this question: Where does Canada stand in respect of future sales on that island? Canadian firms have lost overseas business because they refused to appreciate that their treasured trade mark was a bad-luck symbol in the countries to which they were shipping goods. One exporter from Canada insisted upon having on his carton a tiger with a short moustache, when he had been told that a tiger must have long whiskers. As it turns out, a tiger with a short moustache in many parts of the east is considered a bad-luck omen. The result was that his goods did not sell until he met the specifications.

It is also a matter of record that another Canadian manufacturer allowed $2 million of business to go to British and Swedish companies because he could not understand why

people of that particular country preferred his product with a hole for a handle rather than with a fitted handle. Of course the answer was that they liked it that way. It is our business to meet their wishes.

The real basis of foreign trade, in addition to meeting style and other requirements, is to deliver the goods. Before we can do that we must produce. The world has to be told what kind of goods we manufacture and what kind we can deliver. At the moment they do not know, and perhaps there are even some hon. members who are not fully acquainted with the goods we are able to manufacture and export. Many countries are unable to think of Canada except in terms of bacon, cheese and wheat. The world generally does not know that we can sell anything from tooth brushes to aeroplanes, that we have to offer a large range of commodities which includes such diversified products as oilcloth, machinery, chemicals, earthenware, sporting goods, whisky and locomotives. The world must be told of these things, not only through booklets which at best have a limited appeal, but through extensive advertising in newspapers and magazines. Here I should like to commend the department upon the able advertising that they have carried out, not only in Canada but in other countries. I think that advertising should be extended. When the estimates come up we should take the opportunity to give the minister all the money he needs in order that he may sell Canadian products abroad and let people in other countries know that we can produce goods and deliver them.

I said a few minutes ago—one hon. member did not agree with me—that education is required at home about the importance of foreign trade and the possibilities of venturing in futurities. Most people are paying attention to domestic markets. It is natural to want to do business with people whom you know and with whom you live. A great demand exists in the domestic markets; there are profits to be made here, so they say, "What is the use of looking elsewhere?" But the domestic market, as we have seen, cannot absorb more than two-thirds of our production. If we mean to maintain peak production—and that is the only way our standard of living will remain as it is or go higher—then we must sell our surplus products. As the present time this may be difficult because some commodities are badly needed right here at home. However, we can fill these home needs little by little without losing any business in the long run, whereas foreign markets which lie open to us to-day will be gone in a year unless we are prepared to make a strong bid for them now. If some goods are in short supply in this country, a token shipment will at least keep our foot in the door, but we must act quickly.

We owe our present standard of living to the fact that our exports in 1945 were valued at $3,125 million, or more than a third of our national income for that year. Unless we maintain peak production and peak distribution of goods we cannot hope to go on improving our standard of living. I know that people in Canada are hungry for goods, but there must be some sense of proportion in the matter. The policy of all for us and nothing for other countries will give us a very short-lived prosperity indeed. In a year or two our domestic needs will be met and then, when we look abroad in order to sell our surpluses—by the simple arithmetic of population we can see that there will be surpluses before long—we shall find the markets of the world spoken for by others and we shall be frozen out.

In dealing with this particular bill our course is clear. We have to produce as we have never produced before. We have to go short on some things for a while and, most important of all, we have to stop bickering and get down to producing. Canada to-day has a tremendous opportunity, the opportunity of a lifetime, an opportunity which will never be here again, and we must seize that opportunity now.

Mr. G. K. FRASER (Peterborough West): Mr. Speaker, the hon. member for Spadina (Mr. Croll) said that our industries were untouched by the ravages of war. That may be true; but during the war, because of shortages and a lack of labour, our industries lost many of their foreign markets. I am afraid that in some cases they have lost them forever. Many of those foreign countries, when they found that they could not secure the goods that we had been exporting, subsidized their own industries to manufacture what we used to export to them in peace time. Therefore it is necessary that the Department of Trade and Commerce find new markets for those exports which we have lost. I know the minister is quite familiar with the situation, and I am hoping that he will take the proper steps to try to find markets for these goods. In checking over this bill, I find that it has not a time limit and I think it should have one of not more than two years.

When the Minister of National Health and Welfare (Mr. Claxton) was speaking on one of the items standing in his name he mentioned that one of the branches of his department, the Canadian information service, would

advertise Canadian goods overseas. The hon. member for Spadina referred to advertising and said that the Minister of Trade and Commerce (Mr. MacKinnon) should be given all the money he wanted for the purpose of advertising Canadian goods. I do not know about giving the minister all the money he wants, but I think he should be given sufficient to do this advertising, and the Department of Trade and Commerce should do the advertising, not the Canadian information service. I have absolutely no faith in the Canadian information service and very few people in Canada have.

Not long ago the minister paid a visit to the South and Central American countries. During these last few months, we have reaped the benefits of his trip. By going to those South and Central American countries he created a better feeling among the people there. I believe, if the minister would visit other countries from which he thinks we could get trade, it would create prestige for this country and help Canadian manufacturers to increase their exports. I noticed an item in the *Commercial Intelligence Journal* of August 3, 1946, under the title "Foreign trade service", which reads:

> The foreign trade service, whose function is the maintenance and promotion of trade between Canada and other countries, consists of seven divisions as follows:

And further down:

> Export division: Consists of a group of commodity specialists, in direct contact with Canadian industry, who supply information and render assistance with respect to the particular commodities or groups of commodities for which they are responsible. It includes the export permit branch in order to ensure the coordination of its work with the issuance of export permits so long as these wartime controls remain.

When we are in committee I should like the minister to tell us how that division will fit in with the Canadian Commercial Corporation; also how the import division functions. Personally I feel that the Canadian Commercial Corporation should emphasize exports and forget imports for the time being, because the wartime prices and trade board lifted prices on exports and the exports that are going into other countries from Canada are often not goods needed by them but are luxury goods. What we need now is what the people want to wear and what they need to carry on their everyday business. I have a lot of questions to ask when we get into committee.

Mr. NORMAN JAQUES (Wetaskiwin): Mr. Speaker, we have heard a lot about exports from the hon member for Spadina (Mr. Croll). I should like to have heard something about imports at the same time, because surely foreign trade means trading, not merely exports. If we are not going to receive imports in exchange for our exports we are simply giving our goods away. I never could see the point in trying to force our goods into a country which can very well make those same goods for themselves. Unless we are prepared to receive back goods for the goods we export, it seems to me that we cannot raise our standard of living. We may work harder, but at the same time we shall have to tighten our belts. I do not think there can be any argument against that.

The case for Great Britain is different. In the first place, they are dependent very largely on foreign countries for the raw materials they need. In the second place, Great Britain has incurred tremendous debt owing to the war, and she needs credits in order to obtain the raw materials which she can process and export as finished goods. But those conditions are not Canadian at all. Ours are the reverse. We have plenty of raw materials, and we have no external debt to speak of.

It seemed to me, as I listened to the hon. member for Spadina, that what he really has in mind, the real export he was thinking of, is unemployment. Let me say this, that no country wants to import unemployment, and that is why tariffs are raised against imports. We say that it is fundamental to the social credit way of thinking that a country should export only what it cannot consume, in exchange for those things which it cannot produce. That is trade in the real sense of the word.

We do have certain things in Canada that we produce largely in excess of our needs, and of course wheat is one. On the other hand, there are things which we cannot produce and never will be able to produce commercially—all tropical fruits, for instance. These things we never can produce in Canada, by commercial means anyway. But we do have plenty of basic products which we produce in excess of our needs and which we can export in exchange for the articles which we can neither grow nor produce for ourselves.

There is one point with regard to our trade relations with South America. I understand that the attitude adopted at the San Francisco conference, where the people of the Argentine were told bluntly that they were not wanted, has not improved their relations with either the United States or with us. I understand that that was done to please Soviet Russia. In the meantime, as one might have supposed,

Soviet Russia has slipped in and established a full-time ambassador in the Argentine and has largely gained the trade which was formerly enjoyed by those countries which told the Argentine that she was not wanted. It is just another example that we would do well, with regard to all countries, to mind our own business and let other countries mind theirs. That works well in any community. As long as people mind their own business there is peace, but as soon as they start to mind other people's business there is likely to be trouble and it is pretty soon coming.

I should like to hear some of the speakers who follow me say a few words about imports in exchange for our exports, because the idea that we can raise our standard of living in Canada by exporting our goods on long-term credits is not true. One reason for that is that if the goods are exported and are not traded for a corresponding amount of imports, and the wages stay in this country, then there is inflation, and that has to be taken care of by increased taxation. So, as Major Douglas said years ago, the only thing that the working man will get out of a favourable balance of foreign trade is a longer work day. We shall have to work harder, tighten our belts, and pay higher taxes for the privilege of doing it.

Mr. J. W. BURTON (Humboldt): Mr. Speaker, I shall take only a few moments. In fact, I had not intended to say anything on this bill until the hon. member for Spadina (Mr. Croll) opened up in the way he did. I have always considered that a country like Canada, with the nature of our production, should have a vigorous export policy, but I have always contended that the first charge upon the production of any country is a decent standard of living for those who make that production possible. The first charge on the production of any nation is the opportunity for the people who make that production possible to use that production to give them a decent standard of living. As the hon. member for Wetaskiwin (Mr. Jaques) has pointed out, very little if anything was said about import business. My associates and I have at all times contended that, while we must have export markets for surplus products, we should in turn have a policy of vigorous import business in exchange for those surpluses, so that our people can round out a full standard of living by having the use of things they cannot economically produce or manufacture in this country. In other words, you can have a vigorous export market, and continue to have it and have your people happy at home only, if you make your international trade a two-way street. The hon. member for Spadina spent altogether too much time on the edge of that street, going one way and not giving any thought to the other side of the street.

When the hon. member suggested that a certain portion of our production should be earmarked for export I was absolutely astounded. I was astounded to hear it coming from that part of the house. I could have understood it if he had put it a little differently. I am prepared, and I am sure the majority of the Canadian people are prepared, to have belts tightened, to do without some of the things we ordinarily have and should have, so long as they go to those parts of the world that are urgently in need of them. But that is, we hope, only a temporary condition. That is a matter which needs to be dealt with only on some occasions. But when you are speaking of international trade and suggest that we should earmark a certain proportion of our production for export, regardless of whether or not our own people have enough of the things so produced—well, simply to be polite and to have my words remain parliamentary, I will say it is just so much hooey.

When I first looked over the bill I thought it was a fairly good one. I thought it was making some provision whereby we could foster both our export and our import business. But after listening to the hon. member for Spadina I am beginning to have my doubts. I am wondering whether his speech this afternoon is an indication of what the government intends to do with this bill, and I suggest that during the dinner recess we consider that question seriously before supporting the bill. If that is Liberal policy; if it is what the Liberal government intends to do with this piece of legislation, I for one will give it serious thought during the dinner recess.

Before I sit down, may I say this. Let no one go from this chamber and say that I am opposed, or that my associates are opposed, to sending as much as possible of our goods to countries that are at present in dire need of them. Let me, however, also say this. I simply cannot understand the attitude of a government which at one time throws out the call for the people of this country to give all they can in order to prevent starvation in some countries, and then at the same time allows machines to be shipped to other countries, which possibly cannot use those machines at the present time, in order to help relieve the situation in Europe, while in our own country we have a crop standing there in need of machines to take it off. Even when they turn some of these machines over

to UNRRA, I would point out that the people in need of food cannot eat agricultural implements. They need the food that we could harvest with those implements, and that food would tide them over their present plight. This export business can be something that is absolutely idiotic at times, something that is beyond all reason when carried to extremes.

So far as Latin America is concerned, I have no love for the Argentine, any more than for others, and as the hon. member for Wetaskiwin suggested, possibly they have thrown their business somewhere else. But I would say to him and to other hon. members that there was a time, not so very long ago, when the Argentine was found wanting, when much more was at stake than a little bit of export business. In spite of what the hon. member for Spadina said, I still do not think his speech was an indication of Liberal policy.

THE ARGENTINE NATION

GREETINGS TO MEMBERS OF HOUSE OF COMMONS AND PEOPLE OF CANADA

Mr. SPEAKER: I have received a telegram from the president of the Chamber of Deputies of the Argentine nation and, since it is in Spanish, I will read translations in English and French:

The Hon. the Speaker of the House of Commons of Canada, Ottawa.

Upon the resumption of its sittings, the Chamber of Deputies of the Argentine nation transmits to the House of Commons of Canada its wishes for peace and reciprocal friendship, with cordial greetings to every member and, through your intermediary, to the people of Canada, for whose prosperity we express our most sincere wishes. Pleace accept, Mr. Speaker, the assurance of my highest consideration.

Ricardo C. Guardo, President of the Chamber of Deputies of the Argentine Nation.

L. Zavalla Carbo, Clerk.

Monsieur le Président de la
Chambre des communes du Canada,
Ottawa.

A l'occasion de la reprise de ses délibérations, la Chambre des Députés de la Nation Argentine prie la Chambre des communes du Canada d'accepter ses meilleurs vœux de paix et d'amitié réciproque et transmet ses salutions cordiales à ses membres, et, par votre intermédiaire, au peuple canadien, pour la prospérité duquel nous formulons les vœux les plus sincères. Je vous prie, monsieur le Président, d'agréer l'expression de ma plus haute considération.

Ricardo C. Guardo, Président de la Chambre des Députés de la Nation Argentine,

L. Zavalla Carbo, Greffier.

I have prepared the following answer, which I hope will meet with the approval of the house:

The members of the Canadian House of Commons wish to express their sincere thanks to the Chamber of Deputies of the Argentine nation for their wishes for peace, reciprocal friendship and prosperity extended to them and through them to the Canadian people, in a message addressed on the second day of August by Mr. Ricardo C. Guardo, President of the Chamber of Deputies.

The Canadian House of Commons, in return beg to convey to the parliament of the Argentine and its people most sincere wishes for peace, security and prosperity.

Please accept, Mr. President, the assurance of my best sentiments.

Gaspard Fauteux,
Speaker of the House of Commons,
Canada.

Ottawa, August 5, 1946.

Les membres de la Chambre des communes du Canada désirent transmettre leurs remerciements à la Chambre des Députés de la Nation Argentine pour les bons vœux de paix, d'amitié réciproque et de prospérité, et pour les salutations cordiales exprimés à ses membres et, par leur intermédiaire, au peuple canadien, dans un massage adressé le 2 août par monsieur Ricardo C. Guardo, Président de la Chambre des Députés.

La Chambre des communes du Canada, en retour, par mon entremise, désire assurer le parlement et la population de l'Argentine de ses vœux les plus sincères pour la paix, la sécurité et la prospérité de leur pays.

Veuillez agréer, monsieur le Président, l'expression de mes sentiments les meilleurs.

Gaspard Fauteux,
Président de la Chambre des communes
du Canada.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

CANADIAN COMMERCIAL CORPORATION

ASSISTANCE IN DEVELOPMENT OF TRADE WITH OTHER COUNTRIES

The house resumed consideration of the motion of Hon. J. A. MacKinnon (Minister of Trade and Commerce) for the second reading of bill No. 251, to establish the Canadian Commercial corporation.

Mr. ANGUS MacINNIS (Vancouver East): Mr. Speaker, it is not my intention to delay the house for more than a few minutes. We want, however, to put our reasons for supporting the principle of the bill on record as clearly as we can. We supported the principle of the bill when it was before us in the resolution stage, and although I have not had an opportunity of checking it over section by

section as carefully as I should like, from the study that I have given it I see no reason why we should withdraw our support now.

We support the bill, first, because in our opinion it is an attempt not only to expand our trade but also to bring about orderly marketing. No matter how reluctantly we may approach this question, I am convinced that circumstances will push us forward and that this may well be the first step toward setting up export and import boards. We should not be afraid of that because it has been done before.

When I spoke on the budget I said in reply to the statement made by the Minister of Finance (Mr. Ilsley) that the government was basing its hope for a return to prosperity on export trade. At that time I pointed out that the only necessity for a country to export was in order to import, and I am glad to note that the hon. member for Wetaskiwin (Mr. Jaques) has read my speech, as was indicated in what he said just before recess. I say that, not boastfully but because I had never heard the case put in this house in the way in which I put it in my budget speech and in the way the hon. member for Wetaskiwin put it this afternoon.

This country, of course, is interested in exports. But if we are to export for long we must also be interested in imports. There are many things which our people need which we cannot produce here. Some of the commodities that we produce here are better produced in other places. I like to look at good workmanship and good materials because it is pleasing to the eye. I think a good piece of workmanship is akin to art, even when it is a useful article such as clothing, china and things of that kind. I am quite satisfied that there are many people in Canada who would like to buy some of the beautiful woollen goods produced in Great Britain, perhaps better than in any other country in the world. Unfortunately they cannot often purchase them, but they would like them just because almost every one likes good quality. I know that people in Canada would like to buy some of the beautiful china which Britain also makes. There are many things which are beautiful to look at, a joy to handle, and pleasing to have about. There is no reason why we should not have more of these things. I believe men and women are better men and women if they have beautiful things about them to look at. These are some of the reasons why we should be interested in trade, in buying and selling, exchanging the things we have in abundance for the things that we have not at all. If we can do that, our standard of living will be raised.

This afternoon some hon. member mentioned the matter of the loans we have made since the end of the war. I am not disturbed about these loans even if we never get value for them, because we came through the war in good shape, and most of the people, or perhaps all of the people, to whom we made these loans suffered greatly. But there is another reason, namely, that the quicker we restore the economy of these countries, the better off we shall be ourselves. Therefore, so far as I am concerned I shall support measures of this kind for some time to come. I hope we shall get a return some day, and I hope we shall be able to accept that return in goods which our people can use. We should not ask for it until the people to whom we lent the money or perhaps our goods can pay for them without hurting themselves.

I am quite aware of the fact that in the sort of economy in which we live, a capitalist economy, export trade is a necessity even at times when the masses of the people who produce the goods are in need of them. In such instances goods must be exported because of the maldistribution of the income which went into circulation in the production of those goods. That, however, will have to be taken care of in some other way, so that our own people will not be in want, while the things they could use must be exported because the people who could buy them can not consume them. For these reasons, while the house may be as critical as it likes of sections of the bill, in its general principle I think we can support it as a measure that helps to meet the needs of to-day. Perhaps a few years from now conditions will have changed and we shall require something else; but at the moment, if this is as far as the government feels it can go, I see no reason why the bill should not have our support.

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

On section 1—Short title.

Mr. FRASER: I asked the minister a few questions before recess. I wonder if he would answer them now.

Mr. MacKINNON: To begin with, I want to thank the hon. member for Peterborough West for his comment on the bill and on the work of the department generally. One specific question the hon. member asked was the relationship of the Canadian Commercial corporation to our foreign trade service. In asking that question, I believe the hon. member was particularly anxious that there should be no overlapping or conflict in the

work of the two organizations. The foreign trade service of the department continues its promotional activities, continues its search for new markets, making connections and so on. It has, however, no capacity to consummate actual transactions which are desirable but which cannot be handled by private traders. The normal follow-through on its promotional activities is and should be carried on by private traders. The Canadian Commercial corporation will not initiate new trade, but is available as a necessary piece of machinery to carry out certain types of transactions. It is purely of assistance to private trade, not in any way a competitor.

Mr. FRASER: Will the minister comment on the suggestion I made with regard to a time limit?

Mr. MacKINNON: The corporation is being established to fill a definite need created by war conditions and the special problem of transition to more normal trading relations. That need exists to-day and will probably continue for some time. The future of the corporation will depend in large part upon the degree of freedom in private trade accorded to the nationals of ex-enemy countries. The corporation will be continued in existence as long as necessary to assist private traders.

Mr. FRASER: Has the minister any idea how long that will be?

Mr. MacKINNON: It depends on so many things. For instance, it depends on how long Japan might be occupied by the victorious allies, or how long Germany might be occupied. It is impossible to state any actual time limit, but this organization is being set up as an aid to business and will be continued just as long as, and not longer than, it will continue to be a necessary aid to business.

Mr. FRASER: As long as it is useful?

Mr. MacKINNON: As long as its usefulness lasts. It has not been established to subsidize exports or imports, or to replace private traders in any way.

Mr. FRASER: Will the minister say what extra staff he has to take on to handle this work, and also whether this new corporation is taking on men or women for advertising or publicity work?

Mr. MacKINNON: The Canadian Commercial corporation has taken over the staff of the Canadian export board, the organization that carried on this work during the war. It has taken over that staff in its entirety, as I understand it, and in addition it has engaged four men who have had unusual experience in work of this kind. The staff has all been recruited through the civil service commission, according to my information, with the exception of these senior officials. The intention is to continue that practice. The four experts I just mentioned, the senior officers of the organization, were recruited through the Canadian export board. They are men who had formerly been with munitions and supply, the wartime prices and trade board and possibly other departments.

Mr. FRASER: What is the total staff at the present time? What is the staff in Canada and what will it be in foreign countries? I imagine you will have agents in foreign countries, or do the trade commissioners act in that capacity?

Mr. MacKINNON: At the present time there is a staff of approximately 115. At the moment it is not intended to appoint any agents in foreign countries. In some cases use is being made of existing trade commissioner services in those countries.

Mr. FRASER: They should be able to handle this work in those foreign countries, should they not? You should not need to send any extra help there for that purpose.

Mr. MacKINNON: It depends entirely upon the nature and volume of work that may arise, but it is not our intention to set up any organization in addition to what we now have unless we find it necessary to do so. In reply to the question concerning advertising, I may say there are no arrangements or plans at all for any advertising in connection with this corporation.

Mr. GREEN: What part does the Canadian Commercial Corporation take in deciding what goods are to be exported from Canada? For example, we learn that Canadian shirts are being exported to the United States. Is the Canadian Commercial Corporation involved in that offence, or just what is its position?

Mr. MacKINNON: The Canadian Commercial Corporation will clear with the appropriate administrator or controller as to whether or not merchandise can be properly exported.

Mr. GREEN: Which one of these governmental bodies decides at the present time whether shirts are to be exported from Canada?

Mr. MacKINNON: That is the result of conversations between the men in charge of supply in Canada and the officials of the Department of Trade and Commerce.

Mr. GREEN: Who are the culprits? Who are the controllers who reached that decision?

Which branch of the Department of Trade and Commerce is involved in the decision? Is it the Canadian Commercial corporation or some other branch of the department?

Mr. MacKINNON: The Canadian Commercial corporation has nothing whatsoever to do with it. I do not wish to start a long discussion on the point, but—

Mr. GREEN: Shirts are hard to get.

Mr. MacKINNON: In response to a question to-day by the hon. member for Eglinton I tabled a return showing the number of shirts and other wearing apparel produced in Canada, and the number exported. The number exported is only a small fraction of the production.

Mr. MacNICOL: Where are the shirts, then?

Mr. MacKINNON: The great shortage in Canada is in the kind of shirts the hon. member for Davenport wears.

Mr. MacNICOL: I cannot get one at all.

Mr. MacKINNON: I have the same difficulty the hon. member has. That is something he will have to ask the producers.

Mr. JOHNSTON: What fraction is exported?

Mr. GIBSON (Comox-Alberni): Keep your shirt on.

Mr. JOHNSTON: I haven't got one. They export them all, whether we have any or not.

Mr. MacKINNON: This matter has nothing whatsoever to do with the corporation under discussion. But the hon. member for Bow River will have a proper answer if he calls for the return I laid on the table to-day in answer to a question by the hon. member for Eglinton.

Mr. JOHNSTON: Could the minister give the fraction?

Mr. MacKINNON: I believe it is a fraction of one per cent.

Mr. GREEN: I understand that the Canadian Commercial corporation has nothing to do with the decision as to what goods are to be exported?

Mr. MacKINNON: That is correct.

Mr. GREEN: When the resolution preceding the bill was in committee we asked the minister why it had not been possible for the Canadian export board to carry on, instead of a new crown company being set up. He promised to make an answer when the bill was in committee. Will he do so now?

[Mr. Green.]

Mr. MacKINNON: I am glad to do that. The government was urged to match the facilities afforded British and American traders by the United Kingdom Commercial corporation and the United States Commercial company. A government board which has to act in the name of His Majesty is not a practical medium through which to carry out foreign trade transactions, such as buying or selling a particular parcel of goods. Further, it was the experience of the Canadian export board that many firms preferred to do business with a company which could sue and be sued, rather than with a department of government.

Mr. THATCHER: I am not clear as to what functions this company can perform that our trade commissioners cannot perform. Is there not likely to be some duplication?

Mr. MacKINNON: There is a mistaken idea that the trade commissioners representing Canada abroad are commercial travellers, and that they actually sell goods. That is not their function at all.

Mr. THATCHER: Do they not solicit trade?

Mr. MacKINNON: They seek out buyers in foreign countries—not so much individuals, although they would do it in that way—for merchandise in excess production in Canada. They do not sell a bill of goods, at all. They merely bring the buyer in a foreign country in touch with the vendor in Canada.

Mr. McKAY: What is the relationship between a trade commissioner and the Canadian Commercial corporation? Will these commissioners operate independently, or will they be servants of this organization?

Mr. MacKINNON: Actually there is no connection at all between our Canadian trade commissioners service abroad and this organization. As I said earlier, it may be that we may use their services to a slight extent in some foreign countries. But there is no duplication of service there; there is no conflict of service. It is not our intention to have any overlapping.

Mr. McKAY: Earlier in the evening the minister said that we were going to use certain of these trade commissioners to carry on the work of the corporation.

Mr. MacKINNON: I referred to the statement I had made earlier in the evening when I said it was possible that we may make use of our trade commissioners abroad in connection with this. But that has not yet been decided.

Mr. FAIR: How will the staff of the corporation be disposed of when its work is completed?

Mr. MacKINNON: The staff at present have the status of temporary civil servants only. I imagine, when the time comes, they will likely be absorbed in other branches of government, or in private industry.

Mr. BRYCE: Is the corporation going to do any advertising to sell goods?

Mr. MacKINNON: No.

Mr. MacNICOL: Is the corporation not being set up to seek to deal in a big way, not in the direct sale of surplus goods, but between one government and another, or between one large buyer and a large vendor?

Mr. MacKINNON: The corporation is being and will be used in the manner suggested by the hon. member. At the present time, for instance, we are marketing fish through the facilities of this corporation.

Mr. MacNICOL: Would the meat produced from the horses on the prairies around Swift Current not be sold through this corporation?

Mr. MacKINNON: That transaction would be handled through the Department of Agriculture.

Section agreed to.

On section 2—Definitions.

Mr. FRASER: Will the corporation be set up in the present offices of the export board?

Mr. MacKINNON: In the same place, yes.

Section agreed to.

On section 3—Corporation established.

Mr. HERRIDGE: I should like to ask a question in connection with subsection 4. I notice that as directors there are a representative of the Department of National Revenue, customs and excise branch, a representative from industry and one from fishing. However, I see no director representing agriculture. Why is there no representative of agriculture on the directorate?

Mr. MacKINNON: Agriculture has its own facilities for handling this sort of thing; the meat board, for instance.

Mr. GIBSON (Comox-Alberni): The deputy minister of fisheries is mentioned.

Mr. HERRIDGE: What about British Columbia apples?

Mr. MacKINNON: They are not marketed through a government agency. In answer to the hon. member for Comox-Alberni, the deputy minister of fisheries was shown when the bill was drafted because he was an employee at that time. However, he will have to be replaced.

Section agreed to.

On section 4—Purposes.

Mr. SKEY: I notice in paragraph (b) (ii) it is provided that the corporation is established to dispose of goods and commodities that are available for export from Canada. I think I am correct in saying that there are very few manufactured products now available for export; they are mostly natural products; am I correct?

Mr. MacKINNON: Yes, I think that is correct.

Mr. SKEY: I think there are many manufactured products that might be made available for export now in small quantities. I realize that there are tremendous demands for manufactured products in Canada and that there are many export companies able to sell these products in foreign countries, but they are prohibited from doing so at the present time because of the shortages that exist here. I am going to advocate that some of our manufactured products be made available for export in small quantities so that new markets can be opened up. There are plenty of markets all over the world crying for consumer goods and, if we will do in a very small way what Great Britain is doing in a large way and deny ourselves just a little bit more, we shall open up channels of communication for the export of manufactured articles to many countries to which we have never sold before. I am going to advocate that, despite the shortages which exist, the Department of Trade and Commerce should follow a truly liberal policy in the granting of export permits in order to develop new markets. I think such a policy would return large dividends to this country in the future.

There is one other thing I should like to bring to the attention of the committee and the minister. UNRRA has been buying in bulk from Canada, so I am told, and is taking the whole of our production in certain lines, which leaves nothing available with which to open up new markets. I am told also that other countries with which UNRRA is dealing are selling only a part of their production, which leaves some available for export. I have not this information on good authority, but I think it is something we should guard against. If we are to continue to sell to UNRRA in order to help the people of

Europe, I do not think we should sacrifice the whole of our export surplus. We should not be asked to do more than other countries are doing in this connection. We should still leave ourselves some surplus for export. Are the markets of the British empire being opened up to Canadian goods? Is there any conflict with the mother country, or are we able to compete with the mother country on an equal basis?

Mr. MacKINNON: In concluding his remarks, the hon. member has asked a most difficult question. The United Kingdom is doing everything in her power to establish an export trade, and in seeking export markets we are naturally in competition with the United Kingdom as we are with the other great trading nations. I do not think the United Kingdom is making it any easier for us than is any other country.

Section agreed to.

On section 5—Powers.

Mr. FRASER: Paragraph (*c*) refers to the storing and processing of goods or commodities, either as principal or agent. Storing is all right, but I object to the processing of goods by this corporation and I think that should be deleted.

Mr. MacKINNON: There is no intention to go into the processing or manufacturing at all. In some cases merchandise might have to be repacked and it is to give sufficient power to do so, that this section is included.

Mr. FRASER: If you want to put in "repack", all right, but I do not think you should provide for processing because it is too broad. This is an agency of the people; it is not a manufacturing firm.

Mr. MacKINNON: I mentioned a few minutes ago that one of the commodities that we are handling is fish. It is necessary to do a certain amount of processing of the fish in order to keep them in a proper frozen state.

Mr. GREEN: In what way?

Mr. MacKINNON: Freezing them and keeping them frozen.

Mr. GREEN: Do you not buy them frozen from the fish companies?

Mr. MacKINNON: I expect we do, but in the ordinary storage of the fish steps will have to be taken to see that that frozen state is maintained. I am quite familiar with the handling of fish in the part of Canada from which I come, in this country north of Edmonton. Large quantities of fish are exported in a semi-frozen state. I can quite conceive where that state would have to be maintained in any intermediate storage plant.

Mr. GREEN: Would not "storing" be broad enough to cover that?

Mr. MacKINNON: I do not think so, no.

Mr. FRASER: "Storing and packing" would be all right. I think the minister should change it because it is too broad.

Mr. MacKINNON: I can assure my hon. friend that there is no intention whatever of invading any manufacturing field.

Mr. MacNICOL: Russia is in the market for machinery for heavy industrial plants, and I know a company in Toronto that makes just the kind of machinery they are after. Would it be part of the business of this corporation to bring buyers in Russia or the government in Russia in contact with the producer of such machinery in Canada?

Mr. MacKINNON: Not necessarily to bring them together. If they were together and needed this kind of machinery to complete the deal, it would be available.

Mr. SMITH (Calgary West): Would the minister expand a little more about this freezing of Edmonton fish because I did not quite understand it?

Mr. MacKINNON: The fish that I have in mind from the lakes north of Edmonton are shipped in a semi-frozen condition to the markets in Chicago and New York. They are shipped in great volume, and it was the maintenance of a proper state of freezing to which I was referring.

Mr. SMITH (Calgary West): I am very happy to have that from the minister because I thought he was speaking about people.

Mr. WINTERS: Will all exports arising out of foreign loans be handled through this corporation?

Mr. MacKINNON: Not necessarily.

Mr. WINTERS: Would the minister say what the machinery is and what the financial arrangements will be between foreign countries and the corporation?

Mr. MacKINNON: The corporation acts for the purchaser in the foreign country in placing the order and it gets cash from the purchaser in the foreign country.

Mr. ZAPLITNY: Section 5 says that the corporation may carry on the business of importing goods or commodities into Canada and exporting goods or commodities from Canada. A little while ago the minister said

it was not the function of this corporation to carry on business on its own. Would he enlarge on that and show just exactly what are the functions of the corporation because, if this wording of section 5 means what it says, it appears that the corporation will have power to carry on an importing and exporting business. If it is not going to do it on its own, on whose behalf will the corporation be acting?

Mr. MacKINNON: The corporation may technically be acting in its own right, but actually it will be acting as agent for the foreign government.

Mr. ZAPLITNY: I do not understand that. It will act as agent for what body in Canada? It will be the agent between a foreign government or an importer in a foreign country and what body in Canada? Between what two bargaining bodies will the corporation act as agent?

Mr. MacKINNON: The corporation will act on behalf of the foreign government and the Canadian supplier. In another case it might be acting for the Canadian purchaser, where the supplier was a temporary government in occupied enemy territory.

Mr. ZAPLITNY: Will the functions and activities of the corporation be confined to that type of business? For example, will the corporation act as agent between a private exporter in Canada and a private importer in another country, and vice versa, or will it deal only with foreign governments and private importers or exporters?

Mr. MacKINNON: I want the hon. member to remember that this corporation will not in any way invade the field of private business. It is the intention of the corporation to participate only in transactions which are unavailable to private trade at the present time.

Mr. ZAPLITNY: I want to follow this up so that I can get a clear picture of the functions of the corporation. Do I understand from the minister that this corporation will in no way act as an export-import board? It will have no power to decide how much and what shall be exported or imported, but will merely act as a commercial agent between buyers and sellers in other countries and Canada?

Mr. MacKINNON: The position is essentially as the hon. member has just stated it.

Mr. LENNARD: How will this corporation get along with the wartime prices and trade board, which controls certain commodities and says how much shall be shipped into this country and really controls the distribution of certain commodities? Will there be a conflict or cooperation between these two bodies? How will that be worked out?

Mr. MacKINNON: This corporation will not be dealing in commodities in which the wartime prices and trade board deals, such as sugar, tea, and so forth.

Mr. McLURE: Will the Canadian Commercial Corporation become the purchaser for UNRRA, or will they be the export agent?

Mr. MacKINNON: The Canadian Commercial Corporation is now the procurement agent for UNRRA.

Mr. FRASER: I want to ask the minister how the corporation carries on. Are there any fees charged for its services? There is packaging and processing to do.

Mr. MacKINNON: It is intended that the corporation shall be self-sustaining. The intention of the corporation is to charge a handling fee of one-half of one per cent, which it is believed will cover expenses.

Mr. FRASER: One-half of one per cent of the Canadian price or the laid down price?

Mr. MacKINNON: One-half of one per cent of the purchase price.

Mr. WRIGHT: Will this corporation take over the functions of the bacon board?

Mr. MacKINNON: No.

Mr. BENTLEY: I still am not clear on the answers given by the minister a moment ago to the hon. member for Dauphin as to the corporation acting as agent or liaison officer. Section 5 says that the corporation will actually have the power to import goods. It says that it may carry on the business of:

(a) importing goods or commodities into Canada,

(b) exporting goods or commodities from Canada, and

(c) storing and processing goods or commodities, either as principal or as agent, in such manner and to such extent as it deems advisable to achieve the said purposes.

That gives the corporation power to act as principal or as agent, and if the corporation were to invoke that power would it be able to make a margin of profit on its operations? Or would the goods or commodities be handed over to the receiving party at cost? How would the transaction be carried on?

Mr. MacKINNON: I am not sure that I heard the hon. member's question fully. The corporation may, on occasion, have to act as principal. Take the case of something being

required from Japan, from the military government of Japan. The purchaser in Canada would not be able to deal with an individual in that country, but this corporation could act on behalf of the purchaser in Canada.

Mr. BLACKMORE: Can the minister name the commodities in which this corporation will be dealing? I am trying to get some sort of picture of the set-up. It looks to me as if the minister is removing all possible functions from the corporation and making it impossible to tell what this $10,000,000 is to be used for, and then, having done so, he conveys the impression that it will be an important factor in our trade, I wish he would take some particular commodity and tell us exactly how the corporation will handle it. Will the corporation take money from the $10,000,000 which will be available to it and buy a particular commodity? Suppose the commodity were wheat in Canada. Would it buy the wheat and retain possession of it until it arrived in Japan and then take back goods from Japan? In short, how would it work?

Mr. MacKINNON: Let us take such a commodity as fish, which has been referred to.

Mr. GREEN: Alberta fish.

Mr. MacKINNON: In the first place, the $10,000,000 capital is to furnish a revolving fund for the operations of the corporation.

Mr. BLACKMORE: With some of which the corporation would actually buy produce?

Mr. MacKINNON: With some of which the corporation would actually buy fish, say for UNRRA, at the request of UNRRA. We would buy that fish with the corporation's funds at a price set by the Department of Fisheries and would accumulate a large shipment and deliver it to UNRRA in compliance with the request that we had already received.

Mr. BLACKMORE: And would the corporation buy a quantity of goods from Germany, Italy or Japan?

Mr. MacKINNON: The intention is to get cash from the Canadian purchaser and pay for the goods in the foreign country with that cash. It is not a profit-making corporation. One-half of one per cent is charged on the business done by the corporation and it is estimated that that will take care of expenses.

Mr. JOHNSTON: If you supply goods to UNRRA where will you get the commission?

[Mr. MacKinnon.]

Mr. MacKINNON: We would be paid by UNRRA after we had delivered the goods, and included in our price would be commission.

Mr. JOHNSTON: The minister said that it was not intended to go into manufacturing of any kind, and yet I see in paragraph (c) of subsection 1 the words "storing and processing goods or commodities". I can understand that goods might be handled in storage and still the corporation would not be engaged in the manufacturing business. But what would be required in the way of processing? Take fish. Would there be any processing?

Mr. MacNICOL: They would put more ice on them.

Mr. MacKINNON: The hon. gentleman should have been here when we were discussing this point. As far as processing is concerned, it is largely a matter of possible repacking.

Mr. JOHNSTON: It would not be carried beyond the point of repacking for shipment?

Mr. MacKINNON: That has all been dealt with earlier.

Mr. JOHNSTON: I know it has been dealt with, but the minister said the corporation was not going to go into the business of manufacturing. If this section is interpreted, however, as it is at present worded the corporation might very well go into business. It is all very well to say that processing does not mean what it says, but when it comes to the application of the act you cannot take the interpretation of any individual here. The corporation will carry on business in accordance with the terms of the act as worded, and in the act reference is definitely made to processing. The minister says that the only processing done will be something in the form of repacking, and I want to know whether that will be limited to repacking for purposes of shipment.

Mr. MacKINNON: I can assure my hon. friend that the government will not go into the business of manufacturing.

Section agreed to.

On section 6—Employment of officers, and servants, R.S. c. 22.

Mr. GREEN: This is the clause that gives the corporation power to hire employees and incidentally gives them that power quite apart from the Civil Service Act, so that the employees will not be under the civil service commission. What are the salaries of the executive officers to be. I asked the minister that question on July 5, and he promised at

that time to give the information when his officers were in the house. He has them here to-night.

Mr. MacKINNON: The managing director is W. D. Low, whose services have been lent to the government since July, 1939, by the Canadian National Railways. Prior to joining my department, he was executive assistant to the deputy minister of munitions. His salary is $9,500. The other executive officers are: T. F. Aspden, assistant manager of the corporation, formerly director general of the purchasing branch of the Department of Reconstruction and Supply, salary $6,000; J. D. McCarthy, secretary of the corporation, formerly assistant secretary of the Department of Reconstruction and Supply, salary $5,000; G. F. Wevill, comptroller, formerly comptroller of the inspection board of the United Kingdom and Canada, salary $6,000.

Section agreed to.

On section 7—Head office branches.

Mr. KNIGHT: This section declares that the corporation shall establish its head office in Ottawa. I also notice that the directorate board is made up for the most part of deputy ministers. I do not know why in particular. The minister mentioned trade commissioners some time ago. We who live in the country which is tributary to Hudson bay have sometimes thought the Canadian trade commissioners showed something of a lack of enthusiasm for that route, and I should like to ask the minister whether there could not be placed on the board someone who would have interest in the west instead of having all the business centred in the east.

Mr. MacKINNON: Is my hon. friend suggesting that the trade commissioners may not be looking after the interests of western Canada as well?

Mr. KNIGHT: I am not suggesting anything; I am asking a question.

Mr. MacKINNON: Do I understand that the hon. member has already asked the question?

Mr. KNIGHT: I will ask it again.

Mr. MacKINNON: Please.

Mr. KNIGHT: The question is whether the minister would include on the directorate board someone who is known to be interested in the particular project I have mentioned, namely, the facilities of the Hudson bay route.

Mr. MacKINNON: I shall be glad to give it consideration.

Mr. MacNICOL: The minister himself is from western Canada.

Mr. THATCHER: Is it contemplated setting up branch offices in western Canada?

Mr. MacKINNON: There are as yet no plans for branch offices. May I make this one remark with reference to trade commissioners? They are recruited from all parts of Canada. I say to hon. members from western Canada that some of the brightest of new blood taken into our trade commissioners' service are from the prairie provinces and British Columbia.

Mr. JOHNSTON: Are there any from Calgary?

Mr. BENTLEY: There are no bright ones from anywhere else.

Mr. THATCHER: I agree with what the minister has said, but he has not said whether or not any branch offices are likely to be set up in western Canada. That is the answer I should like to get from him.

Mr. MacKINNON: It is quite improbable that there will be any branch offices in Canada, but that is something on which we cannot speak with any authority.

Mr. THATCHER: Anywhere in Canada?

Mr. MacKINNON: We are establishing warehouses.

Mr. KNIGHT: Subsection 1 of section 7 distinctly says:

> The corporation shall establish its head office in Ottawa and may establish such branch offices, either inside or outside Canada . . .

Mr. MacKINNON: "As it deems necessary."

Mr. KNIGHT: The minister is not trying to tell me that the words mean that they are to be established either inside or outside Canada? It is quite evident that the language means both inside and outside Canada. My colleague's question was quite proper. He asked whether any branches were to be established in western Canada, and it seems to me to be a natural question.

Mr. MacKINNON: I have been trying to answer the question by saying "no," that it is improbable that there will be any branch offices established in western or eastern Canada or outside Canada.

Mr. KNIGHT: May we delete it from the subsection?

Mr. MacKINNON: We have the authority if it is necessary.

Section agreed to.

On section 8—Grants and advances to corporation.

Mr. GREEN: There is one provision in section 8 which should be explained. I refer to paragraph (b) of subsection 1 which gives power to make any other advances or grants to the corporation that are otherwise—

Mr. BLACKMORE: Would the hon. member speak louder? There is so much noise around me that I cannot hear.

Mr. GREEN: Paragraph (a) of subsection 1 of section 8 provides for grants and advances to the corporation to the extent of $10,000,000 out of the unappropriated moneys in the consolidated revenue fund. In addition to that, further power is taken in paragraph (b) covering any other advances or grants to the corporation that are otherwise authorized to be made from the consolidated revenue fund. I do not remember ever having seen a provision of that kind in a bill before. I should like to know what it is meant to cover.

Mr. MacKINNON: If it is necessary to enlarge the working capital, which we do not look forward to, this will give us the necessary authority. We do not expect that there will be an increase in it.

Mr. GREEN: I certainly object to blanket power of that kind being taken. Paragraph (a) provides as follows:

> An amount or amounts not exceeding in the aggregate $10,000,000.

We are led to believe that we are committed to an expenditure of $10,000,000. Then, to be on the safe side, after having $10,000,000 to play with, we get paragraph (b) which reads as follows:

> Any other advances or grants to the corporation that are otherwise authorized to be made from the consolidated revenue fund.

An hon. MEMBER: Any amount.

Mr. GREEN: Unlimited. I submit that paragraph (b) should be deleted from the bill. If you want $15,000,000 now say so and we shall know what we are doing. This business of asking for $10,000,000 now and any additional amounts which may be required is not right.

Mr. MacKINNON: I do not think it is in keeping with the hon. member to suggest that there is any attempt to do something which the bill does not provide for here.

Mr. GREEN: The bill does provide for it; that is the trouble.

[Mr. MacKinnon.]

Mr. MacKINNON: The bill provides for:

> An amount or amounts not exceeding in the aggregate ten million dollars to be paid out of unappropriated moneys in the consolidated revenue fund.

The only way in which that can be done is by this parliament; the company itself cannot do it.

Mr. GREEN: Why do you take the second power?

Mr. MacKINNON: And any other—

Mr. GREEN: It reads "any other advances".

Mr. MacKINNON: "Any other advances or grants to the corporation that are otherwise authorized to be made from the consolidated revenue fund." That is it exactly. Should it be found necessary to do that in the future, they will have to come back to parliament for it; there is no doubt about that.

Mr. GREEN: It does not say that.

Mr. BLACKMORE: "Otherwise authorized" is the expression which is giving the trouble. Authorized by whom?

Mr. ST. LAURENT: This is a bill which sets up the corporation. The corporation has to have enabling powers. With respect to moneys, they have to be authorized by parliament. The reason for paragraph (b) is to give enabling power to the corporation to receive other grants which might be made by parliament if it were found necessary to make them. If there were some special thing being contemplated for which a grant was felt to be in order the grant could be made by the estimates without amending the enabling powers of the corporation. This is merely to provide that in this act there will be the right to the receiver general to make advances up to $10,000,000, but if something special were authorized by another act of parliament it would not interfere or cut down the provision made by paragraph (a).

Mr. GREEN: Yes, but that would be covered by the other act of parliament when it is found that, say another $5,000,000 is required for some special purpose; that has to be approved by act of parliament and the same act of parliament could give to the corporation whatever powers are necessary.

Mr. ST. LAURENT: It could.

Mr. GREEN: I submit that that is the way in which it should be done rather than taking blanket authority at this time. It says "otherwise authorized." What we may get would be a vote in the ordinary estimates, and we

may find that this corporation is getting $5,000,000 in that way. I suggest that is not the proper way to do it.

Mr. ST. LAURENT: I do not think there would be any objection to that. I do not think there would be any objection to there being an additional grant authorized by a vote in the estimates without its being necessary to amend the charter of the corporation.

Mr. GREEN: These moneys are not being administered by the department. It would be different if they were being administered by the department and the minister would have to come into the house, stand up and take his medicine if the expenditures were not properly made. These expenditures are to be made by another one of these crown companies, and by the time parliament catches up with the expenditures which are made by crown companies we shall all be in the Senate. I suggest that the minister delete paragraph (*b*) from the bill.

Mr. BOUCHER: Would that paragraph permit a further advance to be made to the corporation by order in council without special reference to parliament at all, or by an item in the estimates not specially designated? As I understand it, the bill empowers the receiver general to advance $10,000,000 out of the unappropriated moneys. Paragraph (*b*) would also authorize advances of more money on occasions.

Mr. ST. LAURENT: Not unless additional advances were specially authorized by parliament.

Mr. BOUCHER: But if special authority is given; why cannot we have special authority to appropriate the funds and not have this paragraph give the authority of parliament to some other concern to advance $10,000,000 out of the unappropriated funds?

Mr. BLACKMORE: Would it clarify the paragraph to any extent if the minister would put in additional words after the words "authorized" and make it read "otherwise authorized by parliament." Would there be any objection to adding these two words?

Mr. MacKINNON: That is the intention, and I should be quite satisfied to accept that suggestion.

Mr. BRACKEN: Will the minister say what it is proposed to use this $10,000,000 for? Is that for current expenditures in the operation of this concern, or is it an advance that will be repayable to the government later on?

Mr. MacKINNON: It is a revolving fund, as I explained a little earlier this evening, using as an example the item of fish. We would use this money to purchase fish to fill an order we had received from UNRRA. We would sell the fish to UNRRA and get payment for it, and that money would go back into the revolving fund. The price at which the sale would be made would be set by the Department of Fisheries.

Mr. BRACKEN: Then it is anticipated that there will be no loss on those operations and that when this board ceases to function, if it ever does, this $10,000,000 will be returnable to the consolidated revenue fund?

Mr. MacKINNON: That is the intention. Earlier I also explained that we are charging a commission of one-half of one per cent, which we anticipate will cover our yearly expenses.

Mr. BRACKEN: The minister expects that the treasury will be reimbursed to the extent of $10,000,000 if this amount is advanced to the corporation?

Mr. MacKINNON: I do.

Mr. BOUCHER: May I ask if the Government Companies Operation Act is not sufficient as it now stands to permit the government to issue more than $10,000,000 to the Canadian Commercial Corporation without further reference to parliament? It is my opinion that under this act the treasury advances $10,000,000, but that the Government Companies Operation Act could be brought in under paragraph (b) to advance further sums with no reference at all to parliament, and no appropriation by parliament. I wonder if the minister could explain that.

Mr. MacKINNON: I am informed that the act referred to by my hon. friend does not apply to this corporation at all. It applies only to companies organized under the dominion Companies Act.

The ACTING CHAIRMAN (Mr. Golding): Mr. Blackmore has moved an amendment inserting the words "by parliament," so that paragraph (b) would read:

—any other advances or grants to the corporation that are otherwise authorized by parliament to be made from the consolidated revenue fund.

Amendment agreed to.

Mr. BRACKEN: Does this item of $10,000,000 appear in the estimates of the minister's department for this year?

Mr. MacKINNON: This $10,000,000 will not appear in my departmental estimates this year. We do not intend to use anything like this amount immediately, and at the present

time we are financing on moneys advanced to the Canadian export board, the predecessor of this company.

Mr. GREEN: How much money did you get from them?

Mr. MacKINNON: About $4,000,000.

Mr. BRACKEN: Some of this money will be used this year, will it not?

Mr. MacKINNON: We are using the $4,000,000 now as capital, the money we have on hand at the present time.

Mr. BRACKEN: But you are asking for $10,000,000 in this bill.

Mr. MacKINNON: Yes.

Mr. BRACKEN: Will not some part of that be used this year?

Mr. MacKINNON: Section 8 provides.

> The Minister of Finance shall, on the request of the Minister of Trade and Commerce, from time to time deposit to the credit of the corporation . . .

We are not asking for all this money at the present time.

Mr. BRACKEN: Then this is the situation confronting us. We have had the budget of the Minister of Finance, with the estimated expenditures for the year on current items amounting to some $2,700 million. Now we have in this form another appropriation bill providing for the advance or expenditure of $10,000,000 which does not appear in the statement of expenditures given by the Minister of Finance in his budget speech. The point I am making is that this measure is in itself an appropriation bill. It says this money may be advanced out of "unappropriated moneys in the consolidated revenue fund." I have spoken of this on various occasions previously. The consolidated revenue fund is the total of all the revenues received by this government. All the money goes into one pot. The appropriated revenues are those passed by this house in the estimates we consider from time to time. The unappropriated moneys are any balance there may be over what the government has been authorized to spend. By this bill we are adding to the expenditures the government has so far brought before us. In other words, we have another appropriation bill.

Mr. GREEN: The minister said they were taking over $4,000,000 from the Canadian export board, which was set up by order in council. Is that in addition to the $10,000,000 provided in this bill?

Mr. MacKINNON: No.

[Mr. MacKinnon.]

Mr. GREEN: It is included in the $10,000,000?

Mr. MacKINNON: It is included in the $10,000,000.

Mr. FRASER: This section provides that the accounts of the corporation shall be audited by the auditor general. Is it the intention of the minister that a statement will be sent to each member of the house, or how will we get those accounts? That will not appear in the auditor general's report, will it?

Mr. MacKINNON: The matter raised by the hon. member for Peterborough West is dealt with in section 13, which we have not as yet reached.

Mr. HACKETT: Will the minister say whether the $4,000,000 he already has in hand is to be returned from the $10,000,000 he may receive under section 8(a), or is he to retain the $4,000,000 he now has and have authority to obtain the $10,000,000 provided by this section?

Mr. MacKINNON: The $10,000,000 asked for is the total. It includes the $4,000,000.

Mr. HACKETT: But will the minister say what will happen to the $4,000,000 he has on hand at the present time?

Mr. ST. LAURENT: I think the hon. member will find that point covered by section 16, which provides:

> The Canadian Commercial Corporation order (P.C. 1218) made by the governor in council on the twenty-ninth day of March, nineteen hundred and forty-six, under the National Emergency Transitional Powers Act, 1945, is revoked and anything at any time done by or pursuant to that order shall be deemed to have been done at that time by or pursuant to this act.

So that the $4,000,000 becomes part of the $10,000,000 the Minister of Finance is authorized to advance.

Section as amended agreed to.

Sections 9 and 10 agreed to.

On section 11—By-laws.

Mr. GREEN: I wish the minister would explain the latter part of this section, which provides:

> The corporation may, subject to the approval of the governor in council, make such by-laws as it may deem necessary,
>
> (a) to carry out this act, or—

I should think that would have been enough, but they go on:

> (b) to authorize the president, executive officers or employees of the corporation to exercise powers vested in the corporation,

and any such by-law, if it is not inconsistent with this act, shall be valid notwithstanding that it is inconsistent with any statute or other law applicable to the civil service or the conduct of public business.

I should like to know, first of all, why you have that power to authorize employees of the corporation to exercise powers that parliament is giving the corporation itself, and then why the last provision is put in under which those bylaws can override any statute or other law applicable to the civil service or to the conduct of public business.

Mr. MacKINNON: I shall endeavour to give a layman's explanation, from information given to me. I believe this additional authority is required to enable the officers of the company to engage and to dismiss staff; and further, they are given the power to purchase other than by tender, which may not be according to legislation governing government purchases.

Mr. GREEN: If that is what is wanted, why not say so?

Mr. MacKINNON: This is legal phraseology.

Mr. GREEN: No, it is not; that is the trouble. This is bureaucratic phraseology giving officers of the company powers which are far too wide. I suggest that the requirement would be met if the section stopped after the word "act" at the end of paragraph (a).

Mr. MacKINNON: I am advised that that would not be sufficient.

The ACTING CHAIRMAN (Mr. Golding): Shall section 11 carry?

Some hon. MEMBERS: Carried.

Mr. FULTON: Before that is done, I should like to ask a question respecting section 11. By whom has the minister been advised? Is that a ruling from the Department of Justice?

Mr. MacKINNON: The measure has been approved in detail by the Department of Justice.

Mr. FULTON: Was this specific point raised in consultation with the department?

Mr. MacKINNON: I cannot say at the present time.

Mr. HACKETT: Does that mean that all the employees of this corporation might be taken into its service or dismissed without regard to the Civil Service Act, or as to whether they have served overseas?

The ACTING CHAIRMAN (Mr. Golding): Order. We are on section 12.

Mr. HACKETT: We are on section 11.

The ACTING CHAIRMAN (Mr. Golding): No; section 11 was carried.

Mr. GREEN: No, it was not.

Mr. HACKETT: No; section 11 was not carried. We have been discussing it, and I should like to know if it means that all the employees who may enter the service of the corporation may be engaged without reference to the Civil Service Act.

Mr. MacKINNON: The staff being set up by this legislation does not come under the control of the civil service commission. However, we have recruited the present staff through the civil service commission, and they have the standing equivalent to temporary employees. It is our intention to continue to recruit staff through the civil service commission, following the same principle.

Mr. HACKETT: Then, if that is the minister's intention, why is he enacting legislation to free himself from that obligation? If the provision is interpreted as the minister interprets it, the returned man would be deprived of his preference. Is it a matter of policy to set aside a returned man in connection with the engaging of employees for this commercial corporation?

Mr. MacKINNON: In that respect this corporation is just the same as any other crown company. There is a greater percentage of returned men on its staff than in any government department. It is over fifty per cent war veterans.

Mr. HACKETT: If the corporation has observed all the statutes governing the employment of servants taken into any government agency, what is the purpose of seeking to escape from the statute which makes it obligatory to refer to the civil service commission when employees are required? Is it because the corporation may wish to pay higher salaries than are authorized by the civil service commission, or is it because it may wish to take persons who are older than those who would be taken in by the commission? What is the reason for seeking to escape from the ordinary rules controlling the employment of servants by the government?

Mr. MacKINNON: Earlier this evening I gave information respecting salaries.

Mr. HACKETT: If the question was answered before, then I do not wish to have it answered again.

Mr. MacKINNON: It was only partly answered. The staff might be a highly fluctuating one. A great deal depends on

just how much business we may be doing at a certain time. It might be necessary to cut down or to enlarge the staff quickly.

Mr. HACKETT: But the Civil Service Act provides for all that. Hundreds of employees are taken into the post office service at Christmas time, and other employees are taken in at harvest time. The Civil Service Act provides for all that. I am trying to find a reason for placing this corporation outside the act.

Mr. MacKINNON: I would point out to the hon. member for Stanstead that in the very nature of things this is temporary legislation. Earlier this evening I was pressed to state the maximum number of years that this corporation would continue to function, and I explained that it was impossible to do that but that it was not the intention of the government to carry on this organization any longer than was necessary. Even in the review of the civil service by the royal commission it was not suggested that this corporation should come under the civil service commission more directly than is proposed by this bill.

Mr. MacINNIS: Even with the statement which the minister made just as I came in, I find it difficult to understand, equally as difficult as the hon. member for Stanstead, why the staff of this corporation should be excluded from the civil service. I believe the minister stated that all the staff that had been taken on was taken on through the civil service commission and that it was the intention of the corporation to take on whatever additional staff might be required through the civil service commission.

Mr. MacKINNON: May I make a correction? If I made that statement, I made it in error. I intended to say that this corporation was following the same principle of engagement, veterans' preference and so forth, as the civil service commission.

Mr. MacINNIS: Why not go all the way and have them full-fledged civil servants with all the rights, privileges and obligations of civil servants? I do not think the temporary nature of the corporation should be a consideration. After all, a corporation, the life of which you do not know, is not necessarily a temporary one; it may continue forever. So far, no good reason has been given why these employees should be excluded from the civil service.

Mr. FRASER: Are these employees covered by the superannuation act or anything of that kind?

[Mr. MacKinnon.]

Mr. MacKINNON: No; they are not subject to superannuation.

Mr. ZAPLITNY: I am a little concerned about the last paragraph which provides that these by-laws shall be valid, notwithstanding that it is inconsistent with any statute or other law applicable to the civil service or the conduct of public business. It seems to me that you are taking in a great deal of territory by having these by-laws override any statute that has to do with the conduct of public business.

Mr. MacKINNON: One of the things that comes to mind is the procedure in connection with tendering and entering into of contracts.

Mr. ZAPLITNY: If this is intended to apply only to particular instances I do not see the necessity of making it so sweeping. The provision is that these by-laws will override any statute that has to do with the conduct of public business. I believe we should strike out practically everything in paragraph (b).

Mr. HACKETT: The minister mentioned two occasions on which he thought the bill should grant more latitude to the corporation than it otherwise would have. The second occasion he mentioned was the making of purchases not by tender. What is the objection to proceeding in the ordinary way and calling for tenders from suppliers of material or performers of work?

Mr. MacKINNON: I should like the hon. member to conceive of how you would buy something in Japan by the ordinary method of calling for tenders. Wider powers must be given.

Mr. HACKETT: I should like to call to the attention of the minister a fact with which I am sure he is fully acquainted. Governments have found it necessary to adopt cumbersome methods of doing business. The forcing of governments to call for tenders is the result of experience. It is done to protect the taxpayer and to protect the ministers who represent the taxpayers in government administration. As a result of long experience, it has been found that tenders publicly called for and publicly opened are the only safeguards that the people and their governments have against dishonesty. I like to think that our government is honest and that everybody who deals with it is honest, but, after all, we have had the experience of eighty years and this provision has been in all our statutes. I think some serious reason should be advanced for setting it aside.

Mr. MacKINNON: The corporation has followed the habit of purchasing by tender in Canada or wherever else it is practical to do so, but, as I mentioned a moment ago, there are certain circumstances where it would be absolutely impracticable to buy by the tender method. The corporation will have to use other methods. It will be acting as agent for a private purchaser whom it has to satisfy. This whole matter has been carefully considered by the officers of the department and checked by the Department of Justice, and these special powers are being given to the corporation because we have found by actual practice that it is necessary that they have them.

Mr. GREEN: I cannot see any wisdom in giving crown companies such extensive powers. I do not wonder at the officers of the corporation wanting to get them, but that is no excuse for parliament giving them such powers. I should like to move:

That all the words in section 11 of Bill No. 251 after the word "necessary" in line 7 on page 4 be deleted and the following substituted therefor: "to carry out this act."

That would give the corporation power to make by-laws to carry out the act. It would then read that the corporation may, subject to the approval of the governor in council, make such by-laws as it may deem necessary to carry out this act. I would urge the minister to accept that amendment because it gives the power to make regulations to carry out the act.

Mr. MacKINNON: Take the matter of tendering. Does the hon. member suggest that his amendment would enable the corporation to purchase other than by tender?

Mr. GREEN: I do not know that, but the corporation has power to carry on its business and this would give it power to make by-laws. I think it goes too far to give power to make by-laws that override our statutory law.

Mr. ZAPLITNY: May I point out that the amendment would give the board power to carry out the terms of the act. To go back to section 5:

The corporation may do such things as it deems expedient for, or conducive to, the attainment of the purposes set forth in section 4 of this act.

The amendment does not seem to me to tie the hands of the corporation, because by section 5 it may still do what it considers necessary. Another objectionable feature of section 11(b) is that executive officers or employees of the corporation may exercise the powers vested in the corporation. That seems extraordinary, to say the least.

Mr. MacKINNON: The officers of the corporation considered that this language was necessary, but I am willing to accept the amendment of the hon. member for Vancouver South and try it out.

Mr. GREEN: Thank you.

Amendment agreed to.

Mr. HACKETT: The minister has referred to the temporary nature of the act. Is there any provision which says that the act is to last for only one or two years?

Mr. MacKINNON: That has all been covered.

Section as amended agreed to.

On section 12—Corporation to act by resolution of the board.

Mr. MacNICOL: Subsection 4 says:

A director may authorize a delegate to act on his behalf as director and the delegate while so acting shall be deemed to be a director.

The directors themselves are appointed by the governor in council. Why should the governor in council not also appoint the delegate? Further, why should a director have power to appoint a delegate who may be anybody at all, a man of no capacity, so far as the wording of this subsection goes. I do not like the term "delegate".

Mr. MacKINNON: We are trying to tie in the operations of this corporation with the department and have departmental representatives as much as possible. In cases where the senior officer is absent his deputy or assistant can act for him.

Mr. MacNICOL: I would see no objection to that if it said that, but a delegate may be anybody, a man off the street or from anywhere else—a friend of the director.

Mr. GREEN: This, again, is peculiar legislation. If you want to have the assistant of the man who is named as a director appointed, for example, the assistant of our very good deputy minister of customs and excise, David Sim.

Mr. MacKINNON: Take Mr. H. B. McKinnon.

Mr. GREEN: You provide for a small quorum anyway. Is that not sufficient? But this gives any director the right to name anybody as his delegate to sit in on that board. All these directors are residents of

Ottawa. It is not as if they were scattered across the country and could not get a quorum together very easily. Surely this is not good legislation.

Mr. MacNICOL: Why not strike out subsection 4?

Mr. MacKINNON: These senior civil servants do quite a bit of travelling and the use of the word "delegate" was carefully thought out.

Mr. GREEN: It sounds like a political convention.

Mr. MacKINNON: At one time we thought of using the word "deputy", but Mr. Hector McKinnon has no deputy. The word "delegate" was used to enable the directors to appoint a high ranking civil servant from the department to act in the event of one of them being absent.

Mr. GREEN: Why not say, may appoint someone in his department? Mr. McKinnon is the only one who would not have anyone in his department, is he not?

Mr. MacKINNON: I can give another case. Take Mr. Saint-Amour of the Bank of Canada.

Mr. GREEN: Someone else from the Bank of Canada could represent him.

Mr. MacKINNON: These men are the very senior government officials, and it is presumed that we have sufficient confidence in them to trust them to select a proper deputy or delegate in the event of a director being absent.

Mr. HACKETT: Is it not well for the protection of the government, if for no other reason, that the directors should be known? If it be necessary to increase the number, very well; but it is a complete departure from the law that governs corporations to have a board of directors on a sliding scale. There is no identity then, and there would be no responsibility. The board, I assume, is responsible for the business of the corporation, and it is going to have what seems to many of us substantial sums of money at its disposal. It will have grave responsibility as well. I suggest most respectfully to the minister that he increase the number of his board if he believes that is necessary, but I suggest also that the identity of the board should be definite and final. He may wish to consult a specialist in this or that aspect of his business, and there is nothing to prevent him from inviting such a person to the board meeting or from consulting. I must submit, however, with great deference that a board that slithers and slides about at the whim of anyone who wishes to go fishing is hardly good enough for a corporation of this importance, and I therefore suggest that the number of directors be fixed and their names known so that we know with whom we are dealing at all times.

Mr. GRAYDON: Another point which the minister might consider is this. This may be a small affair to the minister, but these small affairs have a habit of creeping up until they become precedents, as in the many crown companies which this parliament has already exercised its powers to create. Let me point this out in simple terms. We are stretching the chain of responsibility too far so that we are getting all the time farther away from the people who pay the shot. The first link in that chain is the taxpayer; then you have parliament; then you have the government; then the next link in the chain is the corporation under consideration; the next link the director; and now we are going to add still another link, namely, the right of the director to appoint another director in his stead. In other words, there are six links from the time you leave the man who pays the taxes until you reach the man who is spending the money, and I suggest that that is stretching the chain too far. There must be a halt somewhere. As far as responsibility is concerned, if this is to be a precedent for the future, the chain should be shortened rather than lengthened.

Mr. MacINNIS: What is the sense of designating the board of directors in section 3 and then putting in a provision in section 12 that each director may appoint a delegate whom nobody knows?

Mr. MacNICOL: Or where he comes from.

Mr. MacINNIS: He can pick up a delegate anywhere and say that he is a responsible person. But, after all, you cannot draw up legislation on the assumption that everyone who is to be associated with it is a responsible person.

Mr. GRAYDON: You would not need legislation.

Mr. MacINNIS: No. If you could do that you would not need legislation at all. Here we have a board of directors each one of whom may appoint a director to act in his behalf when, I presume, he is unable to be present. In my opinion that is certainly not consistent legislation.

Mr. MacKINNON: It may be that we have sought to be meticulous, be careful, in anticipating all possibilities and have made provision where it is unnecessary. If the dropping of this provision is satisfactory I am prepared to have it deleted.

Mr. MacNICOL: I move, seconded by the hon. member for Vancouver South (Mr. Green), that clause 4 of section 12 be deleted.

The ACTING CHAIRMAN (Mr. Golding): That has already been suggested and moved by the Minister of Justice.

Mr. GRAYDON: There is a difference between a suggestion and an amendment. We are just saving the government work.

The ACTING CHAIRMAN (Mr. Golding): The minister has indicated that he is prepared to have the Minister of Justice move an amendment to that effect. Shall the amendment carry?

Amendment agreed to.

Mr. HACKETT: Does the minister feel that the number of directors is sufficient? He has seven directors and five is a quorum.

Mr. ST. LAURENT: Section 3 provides for a president and a board of not more than nine or less than five directors.

Section as amended agreed to.

Sections 14 to 16 inclusive agreed to.

Bill reported, read the third time and passed.

SUCCESSION DUTIES

AGREEMENT BETWEEN CANADA AND THE UNITED KINGDOM—AVOIDANCE OF DOUBLE TAXATION

Right Hon. L. S. ST. LAURENT (Acting Prime Minister) moved the second reading of bill No. 301, respecting a succession duty agreement between Canada and the United Kingdom, signed at London, in England, on the 5th day of June, 1946.

Mr. GRAYDON: I am not sure whether the minister has made a comprehensive statement with reference to the subject matter of this bill, but if he has not done so either on the resolution or at some other stage, I suggest that before second reading is given he ought to make that statement.

Mr. ST. LAURENT: I understand that a comprehensive statement was made by the Minister of National Revenue (Mr. McCann) at the resolution stage, and I had hoped it would be sufficient to state at this time that the bill is to give legal effect to an arrangement entered into between the government of the United Kingdom and the government of Canada to avoid, if possible, duplication of succession duties. There are quite a large number of provisions in the agreement, all designed to avoid payment of succession duties both in Canada and in the United Kingdom on the same property, and that required agreement of the contracting parties to determine a great many questions respecting which decisions had not been the same in the two countries.

The situation which gives rise to a possibility of double taxation is where the decedent resides in one country and dies leaving property in the other. When it is tangible property there is not too much difficulty, though there may be double taxation; but even when there is a desire to avoid double taxation, if you do not follow the same principles for the purpose of determining where is the legal situs of the property you do not achieve the result. Therefore it was necessary to examine carefully the whole situation and agree upon rules which would apply in both jurisdictions to determine the situs of property and to determine in what jurisdiction it could be taxed and what credit would be given in the other jurisdiction when the tax was paid.

I think all hon. members would agree with the desirability of an arrangement of that kind. As hon. members know, there is a similar arrangement between Canada and the United States which was sanctioned by legislation passed by this parliament in 1944. In the general desire to facilitate trade and to eliminate obstacles which prevent that freedom of choice in setting up commercial establishments or branches thereof it is desirable to avoid this doubling of taxation. It is serious enough to have to pay them once, and I think all will agree that it is desirable, in order that these tax laws may not prevent the interchange of investment, to strive toward a goal of avoiding double taxation. This agreement was entered into for that purpose, and the legislation which is submitted to parliament is for the purpose of giving it legislative sanction; because, of course, there has to be legislative sanction to avoid the application of the taxes imposed by statutes in the two countries.

The bill gives legislative sanction to the agreement and if it is desired explanations can be given in committee as to the various clauses of the agreement and the reason for each one of them. I would hope on the principle that we would all agree that we were striving toward a desirable goal, and that the only criticism could be upon the effectiveness of the clauses to reach that goal. That could be more conveniently considered or explained at the committee stage.

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

On section 1—Short title.

Mr. HACKETT: Will the minister say whether this bill is restricted to duty levied by the dominion? I do not assume that it has any bearing upon duty which may be levied by any of the provinces. Are there any provisions which enable the provinces to avail themselves of this understanding?

Mr. ST. LAURENT: No; this is an agreement between the government of the United Kingdom and the government of Canada. The duties which are the subject of the agreement are in the United Kingdom, the estate duty imposed by the United Kingdom, and in Canada the succession duty imposed by Canada. It was well realized by the government of the United Kingdom that there were also succession duties imposed by provincial governments to which this would not in terms apply; but there was the hope that it would be a good example which the provinces might find it to their advantage and to the advantage of their respective citizens to follow.

Mr. HACKETT: Are there not agreements already existing between the United Kingdom and some of the provinces?

Mr. ST. LAURENT: I am informed that there are agreements existing between Quebec, Nova Scotia and British Columbia on the one part and the United Kingdom on the other.

Mr. GRAYDON: Have the agreements which are made between Nova Scotia and the United Kingdom been confirmed by legislation of the two parties involved?

Mr. ST. LAURENT: I am not sure that there has been confirming legislation; I am under the impression that in the Quebec succession duties act there is authority given to the lieutenant governor in council to enter into reciprocal arrangements for the purpose of avoiding double taxation. I think it is the same in British Columbia. I believe there is empowering legislation under which the executive government may make an arrangement, and when it is made it operates by virtue of the empowering legislation. I am informed that even with respect to this agreement there will not have to be special legislation in the United Kingdom; that the finance statutes of the United Kingdom authorize the chancellor of the exchequer to make agreements of this kind, and that they can be made effective under order in council without further enactment by the United Kingdom parliament. But here there was no special enabling legislation. My experience over the last few years has been that it was preferable to come to parliament and say just what one wanted to have confirmed rather than to ask parliament to give one blanket authority in advance.

Mr. GRAYDON: The minister has been an excellent scholar.

Mr. HACKETT: Does the minister think it would be the better plan to go through the agreement before considering the legislation?

Mr. ST. LAURENT: That would make it much easier to understand what would be the effect of the legislation. Of course the various clauses of the agreement will not be carried or defeated, but they can be called and passed and then we can go back to the legislation.

Mr. GRAYDON: The minister mentioned similar legislation with respect to the United States government which was entered into in 1944. Are there any other countries with which Canada has made a similar agreement at any time with respect to succession duties?

Mr. ST. LAURENT: No, not up to the present time.

Mr. GRAYDON: Are there not other countries in connection with which this situation would apply in similar measure; and, if so, what provision is being made, or what negotiations are in progress with respect to those other countries?

Mr. ST. LAURENT: I understand there is a pretty general feeling, among the united nations at least, that arrangements of this kind are desirable. So far, Canada has not had any active negotiations with other governments. It is known that we have an arrangement with the United States of America. It is known that we have an arrangement with the government of the United Kingdom and are submitting it to parliament, and there have been conversations with representatives of the French government, but as yet they have not reached the point where any drafts have been prepared.

Mr. GRAYDON: No other part of the commonwealth?

Mr. ST. LAURENT: No; I am informed there is not as yet any other part of the commonwealth. This agreement provides that it can be extended to all the colonies and dependencies of the United Kingdom, and that the extension can be acquiesced in or refused by us without affecting the main agreement between ourselves and the United Kingdom, which is to last for a minimum period of three years and then to continue after that time unless denounced.

Mr. McMASTER: I always understood there was a difference in the interpretation of the situs of personal property as between the rules followed by the succession duties office and the rules followed generally in other cases. Would the minister care to say which rule has been adopted in making this agreement?

Mr. ST. LAURENT: The common law rule has been adopted expressly in a great many instances, and in other instances it would be questionable whether the agreement reached is the common law rule or not; there is doubt as to what is the common law rule. For certainly the special cases were envisaged and a decision was made as to what the parties would regard as the rule applicable in both jurisdictions. The deputy minister for taxation tells me that in some cases what was regarded as the common law rule was definitely departed from as not being appropriate to present-day conditions.

The ACTING CHAIRMAN (Mr. Golding): The Chair called section 1. Now it has been suggested that we deal with the agreement itself before we go on with the sections of the bill. If that is agreeable to the committee we will call article I of the agreement, on page 2 of the bill.

On article I:

Mr. IRVINE: I imagine I can ask my question on this article. I notice that in the definition of the United Kingdom it is shown to be composed of England, Wales, Scotland and so forth. There is no such corresponding definition of Canada, which I presume would mean mentioning the nine provinces. What I am worrying about is whether some provinces may retain their right to levy succession duty taxes. In that case this agreement would not be an agreement at all, would it?

Mr. ST. LAURENT: It will operate if the provinces continue to levy succession duty taxes, because the dominion government levies a substantial succession duty itself. The proposal contained in the budget resolutions is that in such provinces as may continue to levy succession duties themselves there will be a credit on the federal tax of roughly the amount of the provincial duty. This agreement is between the federal government and the government of the United Kingdom, and applies to the federal government's tax and the tax imposed by the United Kingdom. It may not at once have the effect of eliminating all duplication of taxes, because the rules as to situs may not be accepted by one or more province that will continue to levy succession duties, but it will be a substantial improvement on what has existed heretofore.

Mr. McMASTER: Would the minister say whether the words "estate duty" are wide enough? As I recollect it, they have estate duties, inheritance taxes and possibly succession duties; that is, there are different imposts. It would not be enough for us to get rid of the estate duty unless we also got rid of the inheritance tax, unless the act in the United Kingdom has been consolidated in the last year.

Mr. ST. LAURENT: My information is that the estate duty is the heavy tax, and that is the only one with respect to which the United Kingdom authorities were willing to make an agreement. They were not willing to include in the agreement the lesser taxes such as legacy duty or inheritance tax. We got an agreement with them as far as they were willing to go.

Article agreed to.

On article II:

Mr. FULTON: There is a very small point here. Would the minister just tell us why the Isle of Man is omitted? I ask that question because I have personal knowledge of the case of a Canadian who has interests on the Isle of Man. Is it because the United Kingdom has no legislative jurisdiction over the Isle of Man?

Mr. ST. LAURENT: The Isle of Man may come in as a sovereign jurisdiction under article VIII of the agreement, but the government of the United Kingdom was not willing to include it without obtaining the prior consent of the proper authorities of the island.

Article agreed to.

On article III:

Mr. ST. LAURENT: This is an important article, which determines many of these disputed questions of situs.

Mr. HACKETT: Have they been all determined according to the rules that obtain in Great Britain, or have they adopted some of our rules? For instance, I notice in paragraph (f) this provision:

> Shares, stock . . . shall be deemed to be situated at the place where the company was incorporated . . .

That is quite a departure, is it not, from the rule we have observed up to date? I am just wondering what is going to happen to our transfer offices in Great Britain. We went to some expense to open them up over there, and

I suppose the minister knows what that situation is. Perhaps he might be good enough to tell us?

Mr. ST. LAURENT: It might be helpful if I were to give hon. members this statement which has been prepared respecting article III. Clauses (a), (d), (h), (i), (j), (k), (l), (m) and (n) are thought to be a repetition of the common law rule.

Clause (b) deals with the situs of negotiable bills of exchange and negotiable promissory notes, and with the situs of property in transitu.

It has been held in England that bills of exchange and promissory notes do not alter the nature of simple contract debts, and these debts are situate in England if the debtor is resident there. On the other hand, the Supreme Court of Canada has recently decided that negotiable instruments are subject to duty if found in Canada. Clause (b) now makes a uniform rule applicable in the determination of the situs of all negotiable instruments, namely, that they are to be regarded as situated where they are found at the time of the owner's death.

Mr. HACKETT: Is that a special rule?

Mr. ST. LAURENT: No, that is a rule which has been agreed upon in deference to the decision of our supreme court, though it is contrary to what was held previously in the United Kingdom in respect of several of these instruments.

With regard to property in transitu the rule in England has been that where property is in transit to that country at the time of the owner's death it is situated there. In a recent Ontario case, however, this principle was not applied in the case of property in transit from Ontario to the United States. Clause (b) now makes a uniform rule applicable to the situs of this class of property.

Clause (c) provides that all debts, whether secured or unsecured, shall be deemed to be situated at the place where the debtor was resident.

Mr. HACKETT: What does that mean? Shares are not included as debts.

Mr. ST. LAURENT: Debts secured or unsecured, and whether under seal or not. It does away with the distinction between specialties and simple contract debts. That is for the purpose of having a uniform rule. The hon. member knows that simple debts were deemed to be situate where the debtor resided, but that a debt evidenced by an instrument under seal was deemed to be situate where the instrument was found. The agreement provides that that distinction will not exist. A debt, whether under seal or not, shall be deemed to be situate at the residence of the debtor.

Mr. HACKETT: Then this agreement may give some strange results in taxation. We are going to have a set of rules which are the result of agreement between the dominion and Great Britain. There is another set of rules in effect between Great Britain and Quebec. The rules which obtain there as to shares would be entirely different from the ones in effect here. I do not know that the dominion will be influenced in any way by previous agreements which exist between Great Britain and the provinces, but it may result in great hardship, I should think, because you are going to have a property taxed in Great Britain under one set of rules and in Canada under another. Unless arrangements are made for set-offs and reciprocals, it seems to me that there may be entanglements. Of course the minister may say that is an argument in favour of making over succession duties to the provinces.

Mr. ST. LAURENT: I think this will remove, to the extent to which the jurisdiction of parliament can go, the payment of double taxes. It may be that something which will not be regarded as situated in Canada for the purpose of the federal tax would be regarded by, let us say Quebec, as situated in that part of Canada—that is Quebec—for the Quebec tax. But that would be so, whether we had this agreement or not. And having the agreement, the tax payable under the federal legislation will be avoided. The duplication which might result from the federal legislation will be avoided, and it will be that much easier for the taxpayer than if the agreement did not exist.

Article agreed to.

On article IV:

Mr. FULTON: Could the minister give us an illustration of the working of the proviso at the end of clause 2 where it states:

> Provided that this paragraph shall not apply as respects duty imposed in Great Britain in the case of property passing under a disposition governed by the law of Great Britain.

Can the minister say how this proviso works, and why it was inserted?

Mr. ST. LAURENT: This provides for quite substantial possible reduction in taxation. The value of the exemptions in each jurisdiction will be calculated separately, and the rate of tax will not be upon the aggregate of the estate, but upon the amounts found in each jurisdiction. Whilst heretofore,

though there might be only a small part of the estate in Canada, if it were a very large estate in the United Kingdom, the rate on that part in Canada would be fixed in relation to the aggregate value of the whole estate.

Mr. FULTON: The rate would be fixed.

Mr. ST. LAURENT: Yes, the rate would be fixed in relation to the aggregate value of the whole estate. It was felt that, having this arrangement, it would be fair to treat the assets in each jurisdiction as separate assets, and tax them in accordance with the rate they would separately bear.

Mr. FULTON: That, I believe, is the general purpose of the clause. However, it was the proviso I was wondering about. It seems to me to provide that if property is passing under a will which is governed by the law in England, then no matter where the property is situated it will be used in reckoning the total amount of the estate, and, therefore, the rate of tax.

Mr. ST. LAURENT: The proviso in article III is difficult to understand if one is not familiar with English estate duties.

Mr. FULTON: I was talking about the proviso in article IV.

Mr. McMASTER: I had a question to ask on article III.

Mr. HACKETT: Would the minister go on with article III?

The ACTING CHAIRMAN (Mr. Golding): Order. Article III was carried, and we called article IV. If it is the wish of the committee to revert to article III we will do so.

Mr. HACKETT: Has the minister finished his explanation of article III?

The ACTING CHAIRMAN (Mr. Golding): If the committee wishes to revert to article III, which was carried, we will do so.

Mr. HACKETT: The minister had not finished reading his explanatory paper.

The ACTING CHAIRMAN (Mr. Golding): If it is the wish of the committee to revert to article III, it is all right, but we carried article III and called article IV.

Mr. HACKETT: I suggest that we shall make more progress if you do not call the articles before they are dealt with.

The ACTING CHAIRMAN (Mr. Golding): I suggest to the hon. member that when an article is called and carried he should not revert to that article unless he has the permission of the committee to do so.

Mr. HACKETT: The minister was in the midst of reading an explanatory note.

Mr. WEIR: Not in order.

The ACTING CHAIRMAN (Mr. Golding): He was not in order because that article has been carried. I want to be fair to all hon. members.

Mr. HACKETT: I should like to know if the minister had finished reading the explanatory note on three?

The ACTING CHAIRMAN (Mr. Golding): He had finished.

Mr. ST. LAURENT: It is the same explanation. In England an estate duty is imposed on the death of the life tenant of the property, notwithstanding that such life tenant was not the settler or disposer of the property. In Canada no such duty is imposed. The object of the proviso is to enable England still to continue to tax this type of transmission, because otherwise it would not be taxed at all. It is a passing of property governed by the law of England which would not be taxed here at all and in which we have no interest.

Mr. FULTON: I think I see the purpose, but I am just wondering if I really understand it. The purpose of the proviso is that if a deceased person is left a life estate in England the British authorities shall be permitted to impose their normal estate tax?

Mr. ST. LAURENT: On the extinction of the life tenant's interest.

Mr. FULTON: I am wondering if that would not enable Great Britain to apply a tax in respect of some kind of property situated in Canada and whether the proviso is actually accomplishing what it seeks to accomplish?

Mr. ST. LAURENT: If it is something that passes under the laws of the United Kingdom and the passing is the result of the extinction of a life tenancy and England can reach the taxpayer, they want to be able to do so. It is not a tax that we impose. It does not conflict with any tax imposed under the Canadian statutes, so that we say to them, "If you can get that tax, it is no concern of ours." It does not conflict with any tax we want to collect.

Mr. McMASTER: I should like to ask the minister to elucidate one other case that would come under the first paragraph of article III. This reads in part:

. . . but in cases not within such rules the situs of such rights or interests shall be determined for these purposes in accordance with the laws in force in the territory of the other contracting government.

Mr. ST. LAURENT: Anything that has not been covered by express agreement. The British authorities will have to recognize our rule and we shall have to recognize their rule if it is something that is within their territory.

Mr. McMASTER: There will be no agreement as to that?

Mr. ST. LAURENT: We say, "You will take our rule if it is in Canada, and if it is in the United Kingdom we will submit to your rule." We will give credit in any event.

Article agreed to.

On article V.

Mr. FULTON: The first paragraph of this article raises the question of whether it will affect separate agreements made between the United Kingdom and three of the provinces. The last part of the provision reads:

. . . equal to so much of the duty imposed in the territory of the other contracting government as is attributable to such property.

Inasmuch as British Columbia, Quebec and Nova Scotia are territories in Canada, it might be ruled that if those provinces imposed duties, then the government of the United Kingdom would have to take them into consideration under the terms of this section.

Mr. ST. LAURENT: The duties subject to the present agreement are, under article I, in Canada the succession duties imposed by Canada. We do not attempt to contract or legislate with respect to the rights of British Columbia or the rights of Quebec or the rights of Nova Scotia, but we do attempt to agree to and to legislate with respect to liabilities resulting from our own tax statute.

Mr. McMASTER: Would the minister give an example as to how this would be applicable?

Mr. ST. LAURENT: Paragraph 1 deals with a particular piece of property in respect of which one country imposes a duty by reason of the domicile of the deceased and the other country by reason of the situs of the property. This paragraph applies whether the property devolves under a will or upon intestacy or under an *inter vivos* settlement. The country of domicile is to allow against its own duty on the property a credit for the duty imposed by the country of situs. Thus, if a man domiciled in Canada, leaves personal estate of $25,000 situated in England, assuming that the Canadian duty on the $25,000 was $2,500 and the British duty $1,500, the Canadian taxing authorities will allow a credit of $1,500 against the Canadian duty of $2,500.

Mr. FULTON: What is the position where one province makes an agreement with the dominion government with respect to succession duties and agrees not to levy them? Is the dominion allowed to take into consideration the rate the province would have exercised because the dominion is going to pay the province for giving up the tax?

Mr. ST. LAURENT: The dominion proposals under the present budget are to double the rates that were in existence last year and to give credit to the taxpayer for anything he pays in his province if his province imposes succession duties. If his province does not impose succession duties, then the whole new duty comes under this agreement with the United Kingdom authorities.

Mr. McMASTER: Otherwise it will be just half?

Mr. ST. LAURENT: Yes.

Mr. FULTON: I will be frank in saying that I do not understand the operation of paragraph 4 and I would be obliged if the minister will explain how it is going to work.

Mr. ST. LAURENT: The object of paragraph 4 is to ensure that the duty of each contracting government is calculated after taking account of any relief, remission, et cetera, of duty for which the taxation code of either makes provision, but before taking account of any credit given under this article. The effect of paragraph (4) in a case involving taxation of personal property by three countries, including Great Britain and Canada, is illustrated by the following examples. In each of them it is assumed that duty is imposed by Great Britain on the ground that the property is included in a British settlement and by Canada on the ground of domicile, and that the property was situated in the third country. In the first example the property is taken to be situated in a country, Eire, with which Great Britain has, but Canada has not, a double taxation agreement; in the second example the situation is taken to be in Northern Ireland, with which both Great Britain and Canada will have a double taxation agreement if the present proposals are approved. In both examples the figures represent rates of duty. I have a table here which, with the consent of all hon. members, I should be glad to put on *Hansard,* so that they will have before them a concrete example of how the thing is expected to work.

The ACTING CHAIRMAN (Mr. Golding): Has the minister unanimous consent to put the table on *Hansard?*

Some hon. MEMBERS: Agreed.

Mr. ST. LAURENT: The table follows:

Example I	Great Britain	Canada	Eire
Gross charge	25	15	5
Credit allowed in accordance with article V(4)	5	..	..
Net charge	20	15	5
Apportioned under article V(3) $\frac{15}{20+15}$ = 3/7ths	$8\frac{4}{7}$	$6\frac{3}{7}$	..
	$11\frac{3}{7}$	$8\frac{4}{7}$	5

Example II	Great Britain	Canada	Northern Ireland
Gross charge	35	25	5
Credit allowed in accordance with article V(4)	5	5	..
Net charge	30	20	5
Apportioned under article V(3) $\frac{20}{30+20}$ =2/5ths	12	8	..
	18	12	5

In both of the examples the sum of the three net rates is equal to the highest of the three gross rates.

Mr. FULTON: The credit allowance for relief; is that the relief which will result from the adoption of this agreement?

Mr. ST. LAURENT: No, for whatever relief comes from something other than this agreement.

Mr. FULTON: Possibly, when we read the minister's explanation it will be clear, but I do not quite get the effect of it. What credit allowance is referred to, because it says "otherwise than in respect of duty payable in the territory of the other contracting government." That is the point.

Mr. ST. LAURENT: The purpose here is to avoid having to give credit to the taxpayer for something that he does not really have to pay. If his tax in the United Kingdom were £20 but, because of an agreement that exists between the United Kingdom and Eire, he has to pay only £10, we do not want to have to allow him £20.

Mr. FULTON: I see.

Article agreed to.

Articles VI to XI inclusive agreed to.

Sections 1 to 5 inclusive agreed to.

Schedule agreed to.

Bill reported, read the third time and passed.

INCOME TAX

AGREEMENT BETWEEN CANADA AND THE UNITED KINGDOM—AVOIDANCE OF DOUBLE TAXATION

Right Hon. L. S. ST. LAURENT (Acting Prime Minister) moved the second reading of bill No. 300, respecting an income tax agreement between Canada and the United Kingdom, signed at London, in England, on the fifth day of June, 1946.

He said: Mr. Speaker, a statement was made on this bill by the Minister of National Revenue (Mr. McCann) at the resolution stage. The aim of this bill, like that of the one we have just passed, is to avoid duplication of taxation on the same income. I think the only way to get a clear idea of how the two governments have hoped that they might achieve that object is by going through the agreement itself article by article. I think it would be more convenient to have that done at the committee stage than for me to give any lengthy explanation on the second reading.

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

Mr. ST. LAURENT: Might I suggest, Mr. Chairman, that we turn to the agreement itself before taking up the sections of the bill?

Mr. FULTON: Before that is done, Mr. Chairman, would the minister give an opportunity for a general question which cannot be raised on any of the articles of the agreement. One presumes that some consideration must have been given to the possibility of the provinces reimposing income tax, how that would affect this measure and what modifications might be made on the part of the dominion government in order to take care of that possibility.

Mr. ST. LAURENT: The negotiations were between the government of the United Kingdom and the government of Canada, and no special consideration was given to the fact that there might be provinces that would reimpose personal income or corporation income taxes. But even if that were so, the rates of the taxes imposed by the federal authority are sufficiently high as compared with anything that was imposed before the wartime tax agreements with the provinces or that is apt to be imposed on top of the federal rates by the provinces after the wartime tax agreements expire to make this agreement worth while.

Mr. FULTON: That is true. I was wondering whether the federal government contemplated any move by which relief could

be given the individual taxpayer who resides in a province which does not make such agreement with the dominion. He would be put in a worse position than any other taxpayer.

Mr. ST. LAURENT: There is nothing that parliament can do about the matter beyond what is offered by the proposals made available under the budget resolutions. The hon. member knows that if a province does impose taxes certain credits on the taxpayer's liability to the federal government will be allowed, and that is as far as our jurisdiction will allow us to go. The United Kingdom made with us an agreement very similar to the one it made with the United States where the same difficulties present themselves.

Mr. FULTON: This is modeled after that?

Mr. ST. LAURENT: It is very similar. Of course, there were certain special features that entered into the agreement between Canada and the United Kingdom, but it is very similar to the agreement made between the United Kingdom and the United States, for the same purpose, to try to bring about a greater possibility of free exchanges between the United Kingdom and the United States and ourselves.

Mr. HACKETT: Do they apply the rule of domicile or nationality?

Mr. ST. LAURENT: Domicile plays no part. It is income tax, and it is ordinary residence or carrying on business that are the deciding features.

Articles I and II agreed to.

On article III.

Mr. FULTON: Section 2 of article III has this proviso:

> Provided that nothing in this paragraph shall affect any provisions of the law of the United Kingdom regarding the imposition of excess profits tax and national defence contribution in the case of interconnected companies.

Is there any similar protection for Canada?

Mr. ST. LAURENT: The explanation is that paragraphs 1 and 2 are reciprocal. Industrial and commercial profits arising from a permanent establishment shall be subject to taxation by the country in which the permanent establishment exists. But in paragraph 2, Canada, by the proviso, recognizes the right of the United Kingdom to continue to impose its present law on its own companies by sweeping in profits not only of the permanent establishment in Canada, as would be the case normally, but also profits in Canada of companies in Canada which are controlled by United Kingdom companies.

[Mr. Fulton.]

Mr. FULTON: That seems to change the effect of the other provision which says that where an enterprise makes a profit in Canada, although it may be owned in the United Kingdom, it shall be taxable in Canada and treated as though it were a Canadian company. Is that not double taxation?

Mr. ST. LAURENT: That was not something that was taxed here. It was a form of excess profits tax which was imposed in the United Kingdom on their own company there.

Mr. FULTON: On account of profits made here?

Mr. ST. LAURENT: Yes. There they were taxing more heavily or in another way than we would tax our people, but since the tax was to be collected from a company there, we felt it was their business to see how far they should go.

Mr. FULTON: There is no double taxation at the moment?

Mr. ST. LAURENT: There is no double taxation because we have no parallel situation and it is payable by a company there.

Article agreed to.

Articles IV to XVIII inclusive agreed to.

Sections 1 to 5 inclusive agreed to.

Bill reported, read the third time and passed.

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

Tuesday, August 6, 1946

The house met at eleven o'clock.

SUGAR

ANNOUNCEMENT OF INCREASE IN RATION

Hon. DOUGLAS ABBOTT (Acting Minister of Finance): I should like to make a brief announcement concerning the sugar ration. Although world sugar supplies remain below requirements, the worst appears to be over and a gradual improvement in the future is to be expected. The improvement to date has made it possible for the wartime prices and trade board to make an increase in rations to household consumers of three pounds of sugar per person during the remainder of the year, effective in September and November, and to increase quotas to industrial users and public caterers of all kinds by a roughly proportionate amount.

TRADE AGREEMENTS

CANADA-MEXICO—CANADA-COLOMBIA—
APPROVAL OF AGREEMENTS

Right Hon. L. S. ST. LAURENT (Acting Secretary of State for External Affairs) moved:

That it is expedient that the houses of parliament, do approve the trade agreement between Canada and Mexico signed at the city of Mexico on February 8, 1946, and that this house do approve the same.

That it is expedient that the houses of parliament do approve the trade agreement between Canada and Colombia signed at Bogota on February 20, 1946, and that this house do approve the same.

He said: Perhaps the house will give unanimous consent to dealing with both these notices of motion at the same time, because they are both of the same nature and can probably be conveniently dealt with in that way.

Mr. GRAYDON: They are entirely different trade treaties, and because of that we might make just as much progress by dealing with them separately. I have no definite views on the matter, but perhaps the minister would indicate his reasons for suggesting that they both be dealt with at the same time.

Mr. ST. LAURENT: My particular reason is that in 1942 there were three motions of the same kind which were dealt with at the same time; but if there is the slightest objection I do not mind going on with the first one and then dealing by reference with the other motion.

Mr. GRAYDON: So far as I am concerned I have no objection to going on with the two of them at the same time if it will expedite the matter.

Mr. CHURCH: Will the agreements be followed by a treaty?

Mr. MacINNIS: Is it customary to debate notices of motion? As I understand it, this is merely notice, and that it will go to the appropriate section of the order paper and then come up in due course. I did not think it is customary to debate resolutions which appear as notices of motion.

Mr. ST. LAURENT: The hon. member is suggesting that motions should not be dealt with at this time? I know of no such rule. The standing orders provide a special place for government notices of motion, and the requirement is that there be forty-eight hours' notice. The notice was put in the *Votes and Proceedings* of last Friday, and I mentioned it last evening as a matter to be taken up this morning. I do not want to thwart the wishes of any of the hon. members, but it had been felt that these motions could be dealt with to-day.

Mr. MacINNIS: I am not opposing it. Perhaps the procedure in regard to notices of this kind is different from the procedure on a notice preceding a bill.

Mr. ST. LAURENT: Yes.

Mr. GRAYDON: Money resolutions.

Mr. ST. LAURENT: I take it, then, I have the unanimous consent of the house to have both resolutions considered at the same time, so that they both may be dealt with in the same remarks.

Although these trade agreements are negotiated and signed by the Minister of Trade and Commerce, I understand that it has been the practice of the Secretary of State for External Affairs to move in the house the resolutions for approval of such agreements. In 1942 the Prime Minister explained that that practice had been adopted because the formalities for ratification and notification to the other contracting parties were handled through the Department of External Affairs.

These agreements are of the nature of agreements affording most favoured nation treatment between the countries which enter into them. They are similar to other trade agreements of which there have been several in recent years; as a matter of fact there were seven from 1937 to 1942. In 1937 there was a similar agreement between Canada and Uruguay, which was approved at the session of 1937. In 1938 two were approved, one with Guatemala and the other with Haiti. In 1940 the house gave approval to a similar agreement between Canada and the Dominican republic, and in 1942 the house approved of three similar agreements entered into between Canada and Chile, Canada and Brazil, and Canada and Argentina.

The two agreements now before the house are one more indication of the growing spirit of cordiality between Canada and the Latin republics. They will serve to strengthen the bonds of friendship which unite Canada and the two countries, and to facilitate further and to develop the commercial relations already existing, on a mutually profitable basis. Both trade agreements provide in general for most favoured nation treatment, and are similar to the trade agreements with the other Latin American nations. The trade agreement with Mexico was signed on February 8, at Mexico City and came into provisional effect on the same day. The trade agreement with Colombia was signed at Bogota on February 20 and will come into effect thirty days after the exchange

of ratifications. Both agreements are to remain in force for a period of two years, and to continue thereafter subject to termination on six months' notice. The trade agreement with Mexico provides for the exchange of most favoured nation treatment between the two countries in matters concerning duties and subsidiary charges, as well as in respect of rules and formalities connected with importation and of laws and regulations affecting the taxation, sale, distribution or use of imported goods. This means in a general way that the products of each country, on importation into the other, will not be subject to customs duties or other charges greater than those applicable to similar imports from a third country. Similarly any reductions which either Canada or Mexico may grant in future to a third country will automatically be extended to the other. Thus imports into Canada from Mexico will in future, instead of being subject to the general tariff as heretofore, be accorded the intermediate tariff, and any lower rates than the intermediate tariff granted by Canada to other foreign countries, with the exception of course of the imperial preferences. There is a special reservation in both treaties providing that arrangements between Canada and other dominions or colonies subject to the British crown are not affected. The tariff treatment now granted by Canada to other British countries is expressly excluded from the operation of the agreement.

No immediate reduction in customs duties is made by Mexico for goods of Canadian origin, as it has been Mexican policy not to limit the application of conventional duties to countries with which she has trade agreements. In other words, Mexico has a single column of duties applicable equally to imports from all countries, and any tariff reductions she has made in favour of a particular country, as for example those contained in the Mexico-United States trade agreement concluded in 1942, already in practice have been extended to Canada.

An important provision of the agreement is that quantitative restrictions which may be imposed upon imports into either country from the other are subject to consultation. The agreement provides also that if either country sets up government agencies with exclusive privileges for exportation or importation of goods, such agencies will be influenced solely by consideration of price, quality, transportation and terms of purchase or sale which would ordinarily be taken into account by a private commercial enterprise.

[Mr. St. Laurent.]

Subject to certain specified exceptions, the new agreement provides that imports into either country from the other will be exempt from all internal taxes, fees, or charges other or higher than those payable on articles of national origin within the taxing country or of any other foreign origin. That is, there is to be no tax discrimination in this country on goods imported from Mexico, and vice versa. This provision will result in a reduction in the Mexican registration fees established by the Mexican department of health. Hitherto the fee for registration of packaged food products and beverages has been 50 pesos per product, and for pharmaceutical specialties and toilet preparations, 200 pesos per product, when imported from any country except the United States. That special charge is eliminated by virtue of this most favoured nation agreement. The fee for goods of both these categories of Mexican domestic origin or when imported from the United States is 20 pesos per product, and will now be the same for like products imported into Mexico from Canada. Under the new agreement, Canadian goods of these classes will also be entitled to the lower fee when submitted for registration in Mexico.

The trade agreement also provides that each country will grant the other an opportunity for consultation if either adopts any measure which is considered by the government of the other country as tending to nullify or impair any of the objects of the agreement. The operation of customs regulations, control of foreign exchange, quantitative restrictions and their administration, the observance of customs formalities and the application of sanitary laws and regulations all come within the scope of this provision of the agreement. If a satisfactory adjustment is not arrived at after consultation, the agreement may be terminated in whole or in part upon giving thirty days' notice.

The trade agreement, which is the first ever concluded between Canada and Mexico, came into force provisionally on February 8, the date of its signature. The provisional application may be terminated on three months' notice by either party. Thirty days after exchange of the instruments of ratification at Ottawa the trade agreement is to go into force definitely for two years. Its duration is automatically continued thereafter for one year periods, subject to termination on six months' notice by either party to the agreement.

It may perhaps be of some interest to hon. members to have an indication of the volume of trade between Canada and Mexico in recent years. For instance, in 1940 Canadian exports to Mexico amounted to $4,328,406 and our imports were only $733,797.

Mr. BROOKS: Could the minister give us any idea what the chief exports were from Canada to Mexico?

Mr. ST. LAURENT: Yes. I shall give the amounts and then give the hon. member an indication of what the principal exports were. In 1942 our exports were $5,583,644 and our imports had risen to $4,970,432. In 1945 our exports totalled $8,165,058 and our imports $13,508,164. In the first six months of 1946 our exports were $4,718,662 and our imports $9,491,005. I have a tabulation showing our exports to Mexico and our imports from that country for 1945:

Canada's Trade with Mexico
Calendar Year—1945

Principal Exports to Mexico

Total Exports	$ 8,165,058
Principal Items:	
Newsprint	924,141
Soda and sodium compounds	531,614
Wood pulp sulphite bleached and unbleached	551,816
Copper wire insulated	359,944
Asbestos milled fibres	315,661
Bars of iron or steel	313,367
Upper leather	299,540
Cattle, pure bred	267,115
Fox skins, black and silver	258,192
Electrical apparatus	241,205
Films, photographic and cinema	217,944
Machinery and parts	209,746
Materials for ship repairs	208,728
Pens, pencils and parts	184,919
Whisky	180,936
Felt manufactures	156,774
Wheat	118,277
Ferro alloys	104,148
Coal, tar and pitch	103,140
Cotton fabrics, n.o.p.	100,471
Nickel fine	100,863

Principal Imports from Mexico

Total Imports	$13,508,165
Principal Items:	
Sisal, istle and Tampico fibre	4,526,620
Raw cotton	2,524,943
Tomatoes fresh	2,020,889
Peanuts shelled green or not	1,412,851
Bananas fresh	823,311
Rubber crude caoutchouc	299,325
Glucose or grape sugar	264,488
Boots and shoes, women's leather	177,902
Wax, vegetable and mineral n.o.p.	135,244
Fluorspar	127,482

The trade agreement with Colombia is similar in substance to the Mexican agreement. It is also the first agreement concluded between the two countries directly. Previously Canada's commercial relations with Colombia had been treated as being governed by a treaty between that country and the United Kingdom, which was looked upon as extending to Canada. This is the first direct treaty between Canada and Colombia.

Mr. BROOKS: What were the exports of potatoes and fish to those two countries? These exports affect the maritime provinces.

Mr. ST. LAURENT: I have placed upon *Hansard* in respect of Mexico, and shall in respect of Colombia, the tabulations obtained from the Department of Trade and Commerce. Apparently in 1945 the exports of either item did not amount to as much as $250,000. The table showing Canada's trade with Colombia for the calendar year 1945 is as follows:

Canada's Trade with Colombia
Calendar Year—1945

Principal Exports to Colombia

Total Exports	$ 5,010,701
Principal Items:	
Wheat	771,761
Wrapping paper kraft	335,666
Newsprint paper	290,453
Copper and brass manufactures	268,730
Flour of wheat	240,112
Asbestos and manufactures	231,942
Machinery and parts	221,374
Oatmeal and rolled oats	153,241
Upper leather	149,469
Wood pulp sulphite bleached	149,431
Nails, brads, spikes, iron	140,960
Pipe and tubing and fittings of iron	184,112
Medicinal preparations	101,168

Principal Imports from Colombia

Total Imports	$11,678,076
Principal Items:	
Crude petroleum for refining	7,662,531
Coffee green, imported direct	3,586,755
Bananas, fresh	194,346
Casinghead gasoline, blending	179,725

It is apparent that our trade with these Latin countries of America is expanding. I must say it was gratifying to me, as I am sure it must have been to other hon. members who were at San Francisco, to note how cordial all the representatives of these Latin republics were to the Canadian delegation. Innumerable statements were made to us, statements which were pleasing and some most gratifying, respecting the possibilities of increasing trade with them. I remember asking one gentleman what it was that seemed to stimulate that desire to trade with us. His reply was, "Well, you know, we buy on sample from you, and when we receive delivery of the goods, those goods are equal to the samples." I thought that was a most satisfactory feeling to have exist among our customers, and I am pleased to have this opportunity to pay tribute to the Canadian business men who have made for Canada that reputation. I am sure, Mr. Speaker, that on your several visits to those parts you have found a similar desire to improve trade relations between our country and theirs.

I hope these trade agreements will be the forerunner of the objects for which the international trade conference is being convened at some early day, and that these trade agreements and the good will which grows from them will not only serve the financial interests of those who engage in them, but will lay the foundation for that better understanding among men which can be the only real foundation of peace and security.

Mr. G. K. FRASER (Peterborough West): Mr. Speaker, I believe these two agreements have helped Canada considerably. As the minister said, they have been in operation for some time, and have worked out satisfactorily. They constitute a step in the right direction, because Canada has lost some of her European market, with the result that we must look to other countries for the sale of our products, to keep the wheels of industry turning.

Checking the two agreements reveals that the wording is about the same in each. I can see no objection to their being accepted.

Mr. McIVOR: This is a tribute to our steady, thorough and progressive Minister of Trade and Commerce.

Motions agreed to.

WORLD HEALTH ORGANIZATION

APPROVAL OF CONSTITUTION SIGNED AT NEW YORK, JULY 22, 1946.

Right Hon. L. S. St. LAURENT (Acting Secretary of State for External Affairs) moved:

That it is expedient that the houses of parliament do approve the constitution of the world health organization signed at New York on July 22, 1946, and that this house do approve the same.

He said: Mr. Speaker, hon. gentlemen would no doubt wish to have a few words, which will not be new to them but which will summarize the steps which led up to the formation of this world health organization.

Mr. BLACKMORE: Would it be possible to have a copy of the document?

Mr. ST. LAURENT: The constitution was published as an appendix to *Votes and Proceedings* of July 24.

The steps leading up to the signature of the constitution of the world health organization in New York on July 22 were initiated at the united nations conference at San Francisco when the word "health" was inserted in the charter upon the proposal of the delegation from Brazil. Following this action the states represented on the appropriate committee unanimously approved the following declaration of Brazil and China, on the calling of an international conference for the purpose of establishing an international health organization.

The resolution thus unanimously approved was in the following terms:

The delegations of Brazil and China recommend that a general conference be convened within the next few months for the purpose of establishing an international health organization.

They intend to consult further with the representatives of other delegations with a view to the early convening of such a general conference to which each of the governments here represented will be invited to send representatives.

They recommend that in the preparation of a plan for the international health organization full consideration be given to the relationship of such an organization, and methods of associating it with other institutions, national as well as international, which already exist or which may hereafter be established in the field of health.

They recommend that the proposed international health organization be brought into relationship with the economic and social council.

Although the governments of Brazil and China followed up the declaration by suggesting that a conference be held before the end of 1945, the resolution relating to this proposal was not adopted by the economic and social council until February 15, 1946. In accordance with the terms of paragraph 3 of this resolution, the economic and social council established the technical preparatory committee and directed that it should meet in Paris not later than March 15, 1946, to prepare a draft annotated agenda and proposals for the consideration of the conference to be held not later than June 20, 1946.

At this point it might be useful to note what the Secretary of State (Mr. Martin) said at the economic and social council of June 29, 1946. These were the words he used:

In the establishment of the economic and social council, in the setting up of its commissions, in the negotiation of relationships with the special purpose, agencies established by intergovernmental agreement, we are opening up a new chapter in the long struggle of mankind to master his environment, to the end that the material and economic resources of the world are used for the enrichment and not the destruction of humanity. Our task is not an easy one. We shall have to overcome not only the internal forces in various countries which resist change, but also the skepticism that we shall encounter in many parts of the world regarding the possibility of sucess in a cooperative effort of this sort.

I may say that these views, expressed thus by our Secretary of State at the international meeting, appeared to meet with the unanimous approval of those to whom they were addressed.

At the international health conference which met at the Henry Hudson hotel in New York city on June 19, 1946, the rapporteur of the technical preparatory committee, Major General G. B. Chisholm, presented a report which included proposals for the constitution of the world health organization. These proposals had been carefully worked out in Paris by this technical preparatory committee of experts, and they proved to be most useful documents.

The constitution of the world health organization will be found on page 9 of the addendum to the *Votes and Proceedings* of July 24.

Hon. members will note in chapter 3 of the constitution that membership in the organization is open to all states. Conditions of admission, however, are governed by articles 4, 5 and 6 of the constitution. Fifty-one united nations attended the conference, and in addition the governments of Albania, Austria, Bulgaria, Eire, Finland, Hungary, Iceland, Italy, Portugal, Siam, Sweden, Switzerland and Trans-Jordan were represented by observers. The governments of the following states had also been invited to send observers but were not represented. Afghanistan, Roumania, Yeman. The Allied control authorities in Germany, Japan and Korea were represented by observers but without the right to vote. So were ten other international organizations.

Hon. members will note that article 19 deals with the powers of the health assembly to adopt conventions or agreements with respect to any matter within the competence of the organization, and article 20 imposes the obligation upon member states to take action relative to the acceptance or rejection of conventions or agreements proposed by the health assembly within eighteen months after the adoption of a convention or agreement.

A member is not bound to acquiesce in the convention or agreement, but if he does not accept the convention within the time limit he is required to furnish a statement of his reasons for non-acceptance to the director-general.

Article 21 gives the health assembly the authority to adopt regulations concerning five matters. It is stipulated in article 22 that such regulations shall come into force for all members after due notice has been given of their adoption by the health assembly, except for such members as may notify the director-general of ratification or reservation within the period stated in the notice.

With respect to article 21, A, B, D, and E, these refer to matters which were dealt with before by international agreement and sanitary conventions and by national legislation such as our food and drugs act. "A" refers to sanitary and quarantine requirements and other provisions designed to prevent the international spread of disease. "B" contains the nomenclatures with respect to diseases, causes of death and public health practices so that statistics supplied by the nations, members of the organization, may be comparable. "C" relates to standards with respect to diagnostic procedures for international use, and is perhaps more of professional and scientific than of general interest. "D" relates to standards with respect to the safety, purity and potency of biological, pharmaceutical and similar products moving in international commerce, and of course it is very important for the health of the world that such biological and pharmaceutical products which are distributed internationally be of standard quality and purity. "E" deals with advertising and labelling of biological, pharmaceutical and similar products moving in international commerce.

With respect to article 21C, that is to say, standards for diagnostic procedures for international use, this is a new departure, but it is felt that it can be beneficial to world understanding. From the Canadian viewpoint we have high standards of requirements for the safety and potency of pharmaceutical and biological products. The adoption of standards of requirements concerning them will not adversely affect us. If in the future some regulation should prove unacceptable to the government of Canada, the government can at any time contract out by giving notice, within eighteen months, of its desire to do so and of its reasons for so doing. It is felt that this will be one of the useful agencies of the international organization, and it is in line with the general purposes and aims of us all to strive for peace among men by making men realize what help they can receive from each other and to what extent it is beneficial to them all to be dependent upon one another.

Mr. W. G. BLAIR (Lanark): The constitution of the international health conference, which has been placed before the house by the Acting Prime Minister (Mr. St. Laurent), is one of the most important documents that have ever been considered by the Canadian Parliament. If the nations of the world agree to establish a world health organization, then there is every hope for agreement in other matters.

The constitution, objective and functions as described in chapter I comprise a momentous decision on the part of the nations of the world. Never before in the history of the world have all the nations mutually agreed on a common plan for the betterment of the

health conditions of humanity. It is only by united effort that the world may be cleansed and healed of the scourge of disease so prevalent in its past history, causing untold agonies and distress which to a great degree could have been avoided if such understanding among the nations of the world had been in effect decades ago.

The world is suffering from a malignant disease which causes loss of economic, social and spiritual values. We can effect a cure only by cultivating a spirit of cooperation among all peoples. This can best be done by banishing preventable disease, poverty, cold and hunger. We believe that in civilized society no man should be allowed to suffer or die from such causes, but it will be necessary to build a new world on the ruins of the old. Human rights must be restored and new confidence and tolerance must be established. The preservation of health must be international in scope, and science will aid in the upbuilding of the new world. More than ever before we must prevent and control disease and concern ourselves with the care of the handicapped and crippled, maternal and child care, the construction of hospitals, maintenance of health centres, the removal of the causes which predispose such large numbers of cases of mental illness, medical service to the poor, and other aspects of social security.

To provide health services for the people a government should give financial support, leadership and direction. In order to safeguard the state, its people must be as physically and mentally fit as it is possible to make them. There should be no economic or geographic boundaries in equality of opportunity for medical care. The aims of the science of healing should be international and the same over all the world. Canada must take her place along with similar organizations in other nations in preventing wars and giving adequate health services to all people. The present is an opportune time to form an intenational organization whose first object is to give better health and medical services to all people. Millions of the people of the world are suffering physically and mentally as a result of the war. A united nations health organization would provide much toward the welfare and future happiness of mankind. Now that military victory in Europe has been achieved, peace will bring many difficult problems for solution. We can best solve these problems and reach a better understanding by the relief of suffering.

The pages of the history of our own country, when studied from the aspect of health, show many occasions on which disease itself controlled the destiny of a young and growing nation. Few are aware that it played a major role in the mastery of the North American continent, in the wars between France and England. Repeatedly it decimated the population and seriously retarded the development of the country. A person who has not taken full account of the diseases which afflicted this country and of the efforts to stay their ravages does not know the full history of Canada. Had it not been for disease that plagued the French settlers from the time of their arrival in the country, it is doubtful whether Canada would have become a British possession. Contagious diseases were rapidly introduced by shipping from the earliest days and recurred in epidemic form at frequent intervals. We look upon influenza as a disease of modern civilization, yet there were many outbreaks in Canada in the early days. It appeared at regular intervals and there are many records of it. In 1918 it eclipsed all previous records, causing 30,000 deaths in Canada. Like many other diseases it was introduced by shipping and spread throughout the whole country, at least one-sixth of the population being affected. If disease can control the destiny of Canada, it may well control the world.

We in Canada have failed to learn our lesson from the past. In the examination of recruits for the war just ended thirty-five to forty per cent of our young men were found unfit for service. A high percentage of these defects for which they were rejected could have been eliminated by early and proper treatment. The infant mortality in our own country is fifty-four per thousand live births. In this regard I give the following statistics of infant mortality in other countries, all of which have a lower rate than we have in Canada:

Sweden	29
New Zealand	31
Iceland	36
Australia	36
Norway	37
Switzerland	40
Netherlands	40
United States	40
Denmark	45
England and Wales	48
South Africa	52

A review of the causes of death in all groups shows the following as of 1943:

Typhoid	116
Scarlet fever	100
Whooping cough	416
Diphtheria	287
Tuberculosis	6,168
Cancer	14,135

There were 798 maternal deaths in Canada in 1943. I call attention to the large number of deaths from tuberculosis and cancer within

our dominion. The elimination of venereal disease stands as a challenge to all Canadians working in the field of public health. The high death rate from cancer should call for all means to be used in research for cure. Death and disease do not wait for a gradual extension of science. Death and suffering of the people, while life is within reach, is a human cruelty and an affront to mankind's conscience. The fights against maternal mortality, against the maiming and death caused by infantile paralysis, against tuberculosis and venereal disease, are fights for the whole Canadian nation. Science is a factor in the battle against maternal mortality and in the prevention of infantile paralysis with its terrible crippling effects. Modern research has made, and is now making, tremendous progress in every major disease, but these methods are not being used in the cure of disease for all of the population. If money can be obtained to wipe out such disease which it costs us millions to maintain, then within a generation there will no longer be this drain upon the wealth of our nation. This is one way to ease our tax burden. The insulin research of Banting and the workers associated with him cost less than $10,000. The Rockefeller Foundation gave Howard Florry $1,280 for apparatus which helped solve problems in the production of penicillin. If one per cent of the annual cost of disease were given to trained researchers, much could be done to improve health in this country and save the colossal sums spent annually on disease.

The cost of prevention of disease, now possible, thanks to modern medicine, is nothing compared to the terrific present cost of supporting people through long years of unproductive sickness. It costs more to let them be disabled than it would cost to keep them in good health and let them earn their own living.

Of the twenty-two clauses of functions in the draft of the united nations health organization, there is not one open to debate or criticism. It would be impossible to discuss all of them in the time allotted. I shall refer to one or two items:

Clause A states:

> The health assembly shall have authority to adopt regulations concerning sanitary and quarantine requirements and other procedures designed to prevent the international spread of disease.

This is most important to the protection of our own country. Owing to modern methods of travel and the shortness of time required to make a journey, persons suffering from contagious disease might land in this country during the incubation stage before the disease was apparent.

63260—274½

The promotion of research and interchange of scientific data will lead to important discoveries being made by the scientists of the world. It may well be that a bacteriologist in far off Australia may discover a cure or treatment for infantile paralysis, and that as a result of his efforts little children in Canada will not be crippled.

A scientist in his laboratory in Europe may discover a treatment for cancer and thus save suffering and death from a disease which kills one person in eight of the population of Canada.

The extent of cooperation outlined in the resolution is of such magnitude that it is difficult to believe. But one fact is outstanding, that in the present troubled state of the peoples of the world more will be accomplished by the world health organization to promote peace and good will than by any other agency in the power of the nations. Ignorance and prejudices will be broken down by healing the sufferings of humanity. During the war we glibly talked of the new world to be built after victory. Let us build that new world by a combined effort to eliminate disease and misery. I appeal to the members of the Canadian parliament to support this resolution unanimously.

Mrs. GLADYS STRUM (Qu'Appelle): Mr. Speaker, I am sure that all hon. members will be glad to support this motion and that we are all agreed on the objective as set out in article 1:

> The objective of the world health organization shall be the attainment by all peoples of the highest possible level of health.

I think the definitions are very well set out, too, under the constitution. I particularly like the second paragraph, which says:

> The enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being without distinction of race, religion, political belief, economic or social condition.

Much careful thought has gone into the drawing up of this very fine constitution, and I only hope that we shall live up to the expectations of those who drafted it. I am reminded of the tragedy of the labour convention at Geneva where twenty-six years ago Canada endorsed the eight-hour day, and in Canada we are still striking to attain it. I hope we do not do that with our health commitments; otherwise a lot of people are going to die in the meantime.

As I see it, Canada has two sets of responsibilities: first, to support this organization and take full part in it, to see that we have full representation and that we share the financial obligation, and to ensure that nothing is left

undone in the sharing of research, and second, to clean up Canada. Canada has made some splendid contributions to the attack on disease. When we think of Sir Frederick Banting and his gift of insulin; when we think of the record we have set in the matter of the onslaught on tuberculosis, which a few years ago was one of the great scourges from which mankind suffered, I believe it will be agreed that we too have helped to write medical history. I am reminded of the history of our attack on tuberculosis, and in the province from which I come we have established, I believe, a world record. We found there that there were social factors which made it possible to do this, and the most important of all was the controlled environment of the patient. When we began to treat tuberculosis we did not only look after the medical end of it; we looked after housing and nutrition. The patient in a tuberculosis sanatorium gets the very finest of food—unlimited quantities of fruit and meat and milk, the best of housing, of heating, of sanitation and everything else that contributes to healthful surroundings. There, I think, we have one of the keys of the attack on disease—the controlled environment of the individual. But so long as we in Canada have slums, overcrowding, obsolete and unsanitary buildings, ignorance and poverty, we shall sustain these losses from disease, preventable losses which we can avoid by attacking the living conditions of our people. So I hope not only that we shall sign this covenant and pledge ourselves to international health, but that we shall not rest until every Canadian family has healthful, sanitary home surroundings.

I see here that we have had seven different conventions on sanitation. I wish I had the figures to show how many families in this country still do not have sanitary conveniences. There is a great field of activity open to us, if we are interested in sanitation, in seeing to it that every family has plumbing and running water, a clean water supply, sufficient space, good beds, good clothing, and laundry facilities. These are the very essence of cleanliness and health, and in this direction we can make a really worth while contribution.

I believe we are very fortunate in our minister of health and that he is doing excellent work. However, this parliament should extend to the provinces grants under the provisions which were suggested in the original proposals, to allow the provinces through their departments of health to make an attack on the various aspects of public health—the mental diseases, the venereal diseases, tuberculosis—and to establish a special division of child and maternal welfare. I hope that very soon the Minister of Finance will see fit to extend to the provinces that are going to sign these agreements individually the same assistance which the original proposals contain, because we all know that health is a provincial matter, that it must be paid for in cold dollars and cents, and that it is for sale; that there are millions of people to-day suffering from disease, and thousands in this country doomed to die because they have not the price of medical attention. For them health is unavailable, and until we make health services free, thousands of people are doomed to die of cancer, for instance, because they cannot afford expensive surgery. Only one province that I know of has completely eliminated personal cost from the treatment of cancer. When we have made it possible for the provinces to carry out their programmes of health we can begin to feel that we in Canada have done our part towards realization of the dream of the great men who drew up this charter.

Mr. T. L. CHURCH (Broadview): Mr. Speaker, the motion of the acting Secretary of State for External Affairs (Mr. St. Laurent) is a most laudable one, but I say to him that this interim agreement, followed by a constitution of a world health organization establishing certain definite principles, should not be treated as Canada dealt with the public health convention of 1927, the international sanitary convention which is referred to in this schedule and was concluded on June 21, 1926. I remember being in the house at that time, and I was of opinion that Canada should take an active part regarding the health of the world, and for the reasons expressed in this constitution:

> Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity
>
> The enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being without distinction of race, religion, political belief, economic or social condition.
>
> The health of all peoples is fundamental to the attainment of peace and security and is dependent upon the fullest cooperation of individuals and states.
>
> The achievement of any state in the promotion and protection of health is of value to all.
>
> Unequal development in different countries in the promotion of health and control of disease, especially communicable disease, is a common danger.

The convention goes on to describe many branches of public health. But what has Canada since 1926? As a nation we have merely given lip service to these ideals. We spent only half a million dollars, and the promotion of public health in Canada has

been left largely to hospitals, public and private, to the universities and the municipalities. Since 1926 in some municipalities we have had to mark up from $1 to $2.50 a day for per diem patients. It was about the time of the 1926 convention that Doctor Banting wanted to go to the United States to practice —he had started practice in London—and to carry on the researches which led to his great discovery of the treatment of diabetes. The night before last I was looking at his grave in Mount Pleasant cemetery, marked only by a small tombstone. When one thinks of what this one invention and discovery in medicine and science did for the soldiers of the war from which we have just emerged, it is a revelation and a promise of what scientific research can do.

There have been many long discussions on the minister's health estimates in this house concerning public health. Long ago I urged here a forward national health policy. One of the mistakes made at confederation was the failure to foresee the need for a national health policy along the lines set out, first in the convention of 1926, and now in the interim convention which was only adopted on July 22 of this year. It is to be hoped that we shall now go into the matter in a practical way; in 1926 we only paid lip service to it. Let us do something practical now with the $14,000,000 voted here for public health. As I said in the debate on the estimates, the first duty of the government is to look after the health, peace, happiness and prosperity of its people. When I go around the country and see some of the conditions and the lack of aid to health departments I am surprised. When the municipal people ask for something, nothing is given.

National public health is looked after only by the municipalities, and the municipalities have to establish at great cost their own health departments without federal aid. It is the most important national work we have. If we are to join all these world organizations we shall be roaming all over America. We are on the seven seas in the first two resolutions. If this resolution carries we are bound by everything in it and the new constitution and all that happens in this world society, so the estimates on public health may run into millions of dollars. It is all done by resolution. I contend that that is not right. I often look up the rules of the house. The two motions we have passed dealt with pan-American matters of trade, and they will interfere with British preferences.

There is to be a convention meeting next year on world trade. I ask hon. members to be very careful before they go into these things. More estimates and votes will be needed in the countries which made this agreement on July 22. Hon. members will well remember a picture contained in the Ottawa *Journal* which I held up in the house one night, showing the delegates to the New York health meeting. We had about fifteen or twenty people from Canada at this health convention, but there was nobody representing the provinces. The minister was accompanied by what I describe as a small choir, but the health officers of the provinces were not there. They should have been there because they will have to carry out the terms of the text of the interim constitution. The great universities of the country which have made such rapid strides, in peace and war alike, in medicine, science, physics and chemistry and everything else, should have been consulted. I read a copy of the proceedings of this New York meeting which appeared in the New York *Times* and I find no reference to the universities or to provincial health officers.

While I support the principle of the policy I believe that Canada should stop giving lip loyalty to all these things which will necessitate our voting large sums of money to be used by these bodies. When I first came to the house the problem with regard to agriculture was, where shall the hired man wash his feet. I have never known a minister of agriculture to solve that problem. Now we are going into the tremendous field of international health and medicine and all these things covered by communicable diseases and the other matters set out in the interim constitution. All this is being done in Canada at a time when not one cent is given to the support of hospitals or to the universities as scholarships so that men of science such as we have in the universities of Toronto, McGill, Queen's, Western and the great university in British Columbia, the great university down by the sea and the other universities of the country, could continue their studies. There is where the mistake was made at confederation. The British North America Act should have made health and education concurrent jurisdiction. We are giving only lip loyalty to these health matters federally. The department is only a skeleton department. If we are to go into this matter let us adopt some new national policy. When we pass this resolution we shall not know what it is going to cost. We had a similar resolution before us in 1926, and we do not know what Canada has done because she left national public health to the hospitals, the universities, municipalities, the medical profes-

sion, the dental profession and all these other bodies without a vote or any help from the department here.

As I say for several weeks we were represented at this New York convention by the minister, and he had fourteen or fifteen with him, a regular choir. Their task was to represent the department. I do hope that we shall have something practical done for the health of the country by the provision of more hospitals, nurses and doctors. Two floors have been closed in the Toronto general hospital because of the lack of nurses. All this is going on, but Canada does nothing. Let us improve national health in this country. I am not opposed to the resolution; I supported it in 1926. The principles of federal aid which guided Doctor Hastings, Toronto's great health officer, are the principles which I express now. He was a leader and a pioneer on health matters at these international conventions which met in the states, after the last war and all over the world.

The British medical association, the body which did more than any other agency for science along the terms of this new constitution, and the various medical associations of the dominions and of the United States, have done great work along these lines. I hope that the time has come—it has to come next year according to the terms of this constitution—for us to be up and doing. It will cost $5 million a year. I ask hon. members to be careful of how they tie us up because the money must be voted by the committee of supply if we adopt the constitution. The money could be far better spent in Canada where it is badly needed in many ways.

They talk in this agreement about a pure water supply, and all that kind of thing. Impure water is the basis of typhoid, diphtheria, and many other communicable diseases. I remember that Vancouver had a little trouble about sanitation and filtration. We have had in our city a pure water supply for twenty-five years. We set it up by building a large water filtration system, and since then there have been practically no cases of typhoid and only five or six of diphtheria. At one time in Toronto, owing to the collapse of an intake, they were drinking water from the bay.

One of the most important clauses in the constitution will run into hundreds of millions of dollars because it deals with communicable diseases and many new diseases, and new drugs, the use of which is killing some people. We shall have to be careful about the constitution. Where are the provinces in this convention? I think it is important to see that the provinces are consulted and also the larger municipalities. Toronto city spends five or six times more than this department of health. The federal department here went from $200,000 to $500,000 before the war, and in the estimates we passed the other day the amount was $14,000,000.

In his budget speech the Minister of Finance said that we want all these things, but let us remember that they cost money. Let us go into it with our eyes open. We are simply giving lip service by passing all these resolutions in one morning without knowing how they interfere with the plans of the provinces and the municipalities. Every one of the diseases mentioned in the meeting in New York dealt with by the universities and the health officers of Canada many years ago. They were pioneers in this work. Canada was a pioneer, following the principles of the mother country, the United States and the dominions.

This particular agreement was lying on the desk of the Minister of National Health and Welfare on his estimates the night he left. I took part in the debate myself, along with many other hon. members. This agreement should have been considered at that time and all the details given.

Mr. GORDON GRAYDON (Peel): Before the resolution carries I wish to point out what I believe to be the justifiable and commendable trend in national and international affairs exhibited in the adoption by this nation and several others of the constitution of the health conference. This trend, now becoming accelerated, portends the making of a better world for which all of us have been striving during these years, and points to our giant objective. It is the placing of a broader emphasis and value upon human needs in relation to material affairs. If ever there was a time when it was possible to see clearly the movement in world affairs I think it is to-day, when I believe we are finally coming to the point of relegating the strictly material things, such as property values, to a position of importance second to human rights, human values and humanity in general. I welcome a move of this kind as another step in the right direction; that is, to a more progressive position in our world relationships.

This is a great test of international cooperation. I had the privilege of listening to Senator Warren Austin, the new voice of the United States of America on the security council, before he took his place on that council, when he addressed the New York branch of the foreign policy association. Significantly enough, it was the anniversary of the signing of the San Francisco charter. I think per-

haps one of the most vital and compelling things he said was that nations still have a long way to go to find a formula by which they can get along, but that health is one of the universal things which may well be used as a testing ground, something in which people of all nations have a common interest and a common objective. I find myself, and I am quite sure this house finds itself, largely in agreement with that point of view. Let us work on those things upon which the nations of the world can more readily agree. Let us work on those first, in a comprehensive way, in order to find, if possible, a formula for dealing with the more difficult problems that lie ahead. This is a testing ground, because health knows no boundaries, health knows no creed, health knows no nationality or limitation. It is a great human relationship which brings the world together from time to time.

It was my privilege to attend for a short period the world conference in New York which has been mentioned already in this debate, and to see arriving for those deliberations great and eminent surgeons and physicians from the Union of Soviet Socialist Republics, from the United States of America, from the United Kingdom, from France and from the smaller nations of the world. There I saw a young plastic surgeon, twenty-five years of age, already with great experience; and to the hon. member for Qu'Appelle (Mrs. Strum) I would say she was one of the prominent lady surgeons and physicians who came from all over the world to play a prominent part at the conference. There we had a great pooling of brains in matters affecting surgery, medicine and public health. To me it was a great and practical example of how the world may finally discover that much sought after formula for a means of living together as good neighbours the world over.

I believe this movement for a world health organization can be pretty well expressed in this sort of phraseology. Those of us who come from the rural parts of Canada realize that no matter how clean you keep your own farm, no matter what measures you take for weed prevention, that is not enough unless your neighbour keeps his farm clean as well. The world health organization represents an effort to see that the weeds all over the world, on our neighbour's land as well as our own, are cleaned up in the interests of all. Without putting it on the lower level of our own selfish interest, it is important that the disease-infested swamps of the world be drained and cleaned up, in our own interests as well as the interests of those in whose lands the swamps are to be found. I know most of us are interested in the success of the united nations health organization, because success in an endeavour like this goes far in preparing the way for international cooperation on all fronts. Of course the united nations organization has given us cause for some disappointment as well as some optimism; but in the final analysis, like any other organization or any individual, the united nations organization and its various component parts must deliver the goods; and when they have delivered the goods they will have world support. That is why I think we are fortunate in Canada to be one of the first nations to make a move to adopt a constitution such as this. It is a forward step toward a better world, a better humanity. It lays greater emphasis upon the right things of life which in the end will be the deciding points as between peace or war, content or suffering, joy or sorrow in the days to come.

Mr. J. H. BLACKMORE (Lethbridge): It has been interesting to listen to the debate thus far, Mr. Speaker. I have been impressed by the fact that most of those who have participated up to the present time have given reasons why we in Canada should pay much more attention to our health problems, but no reasons why we should join an international organization to accomplish that objective. Apart from such things as quarantine regulations, you might say, it is difficult to see how joining an international organization is going to help us solve the problems which are vital in dealing with our health situation. I greatly enjoyed the remarks of the hon. member for Lanark (Mr. Blair), but in them there was hardly anything to indicate why we should join this international organization, or that to do so would necessarily advance our interests in respect to health. I hope after a while in the house and in the country we may begin to be a little more realistic than we have shown ourselves to be in the last year or so. There seems to be abroad in the land an idea that any problem under the sun can be solved if you can get it far enough away from yourself and into the hands of a big enough international organization. I am really a bit surprised that no one has suggested sending a delegation to Mars, one to Jupiter, one to the moon, and delegations to three or four other planets, to see if we cannot set up an interplanetary organization to solve the problems of the world. That would seem a logical proposal, and I am somewhat disappointed that it has not been brought forward up to the present time.

This sort of thing simply tends to take our minds off the real difficulties that confront us. Problems of health in a large measure have to do with the standard of living. Whether joining this international organization for health will enable us to improve our standard of living in Canada, no one has taken pains to explain. Yet it is obvious from what has been said by everyone who has participated in the debate that the real cause of most of our ill health is a poor standard of living in Canada. Will anyone who is so ardently enthusiastic about this organization explain to me how signing the agreement will help us to raise our standard of living in Canada? That is what I want to know.

As I have already pointed out to the house on one or two earlier occasions, in the year preceding June 2, 1941, in Canada 32·9 per cent of our wage earners received less than $450 a year. Until we can change that situation we are simply making ourselves ridiculous, when we spend our time signing international organization agreements to promote health. In that same year another 28·7 per cent of our wage earners were receiving between $450 and $949 a year. A large percentage of the people earning those incomes were heads of families.

I am informed the Toronto welfare council has recently told the people of Canada that for a family to live under conditions of standard health and decency it will require in the neighbourhood of $2,000 a year. What I fear is that hon. members are getting their minds off the essentials that are right nearby. It is a common failing among human beings everywhere, and among organizations of human beings, to dream about the big things to be done by and by, while they neglect the little things around their feet which they might do something about.

There is no doubt that Canada can give to every person in Canada enough of the world's goods to supply a reasonable standard of health and decency. Judging from our national income and the production of our nation there is no reason for our being unable to have a doctor come to visit regularly; there is no reason why we should not have a dentist attending the children regularly; there is no reason why every Canadian citizen should not have all the food he needs, well-balanced and well-prepared. There is no reason why they should not have the clothing and shelter they need.

As I recall it, in his report of 1946 Mr. Graham Towers told us that in 1944 we in Canada produced 11·8 billion dollars worth of goods and services, and in 1945 we produced 11·4 billion. This was at a time when we had 1,500,000 of our very best potential producers engaged in war. If we take that amount of goods and services and divide it among 12 million people we find that we get in the neighbourhood of $916 per man, woman and child in Canada. Will anyone tell me why we have such a low standard of living among our people? Will anyone tell me how in the world by joining any number of international organizations like this one we can overcome that difficulty? If he will, I shall be interested immediately.

I have no desire to delay the house in a discussion of this matter. But I do hope we shall not get our eye off the ball by chasing rainbows or soap bubbles. By way of diversion I would draw the attention of hon. members for a moment to the dismal disappointment we have had as a result of joining the united nations organization. A year ago one might have thought that by doing so we would go right into the millennium. Anyone who said we should not join it was held out as a public enemy. Yet, what have we got out of it?

Let us be realistic. Let us face the facts as they are and see if we cannot get down to earth. Let us begin walking on terra firma—on the rocks, the dirt and the mud—so that we shall have a sense of reality in these matters.

The group with which I am associated has no particular objection to joining this international health organization. But we warn that the more of our national affairs we allow either directly or indirectly to be influenced by bodies of people outside our country, the more difficult our situation is going to become. What we must learn is to manage our own country, to run our own business, to clean our own back yard. As soon as we learn how to do that, there will be plenty of people looking over our boundaries to find out how we have done it. We shall not need to go hunting people to teach; they will find us, and come to learn.

I have gone through the agreement, so far as I have had time to do so in conjunction with the many burdens placed upon me—as they are, of course, upon all other hon. members. I do not see in this constitution anything indicating a dangerous amount of control over our national affairs which could be exercised directly or indirectly by the government of this organization. If I could see any evidence that such a possibility was implicit in the organization I would oppose it with all the power at my command, and would call on all hon. members to do the same. As it is, I

think it amounts almost to another bubble, another rainbow to go chasing after, and by which to be deluded.

Our group will not oppose this resolution; we will allow it to slide through. But let me repeat that it is time we got down to earth and began to find out the real cause of the troubles from which we suffer. Let us find out why in a country like Canada, which has produced goods valued at 11·8 billions of dollars, 32·9 per cent of our wage earners receive less than $450 a year, thus making it utterly impossible for them, and for any of those connected with them, to have health. If I might bring in another illustration which comes to mind, I would mention that I am now engaged in the industrial relations committee. Why in the world is it that we in Canada are risking the whole economic welfare of the country by resisting the desire of a group of men to make $1,750 a year as a minimum?

Mr. SPEAKER: Order. I am sorry to interrupt the hon. member, but his remarks are not relevant to the motion before the house.

Mr. BLACKMORE: I have all the deference for you and your opinion, Mr. Speaker, but not a single word of what I have uttered could possibly be said to be irrelevant to the matter of health in this country. Nor can it be irrelevant to the health of the world—not one word. Now, Mr. Speaker, that is the position in which your ruling puts the whole situation in this country.

I refrain from saying any more.

Motion agreed to.

UNITED NATIONS

APPROVAL OF CONSTITUTION OF EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION

Right Hon. L. S. ST. LAURENT (Acting Secretary of State for External Affairs) moved:

That it is expedient that the houses of parliament do approve the constitution of the United Nations Educational, Scientific and Cultural Organization signed at London, on November 16, 1945, and that this house do approve the same.

He said: I do not think I could say anything more effective in support of this motion than to put on *Hansard* the preamble to the constitution of the united nations educational, scientific and cultural organization:

The governments of the states parties to this organization on behalf of their peoples declare:

That since wars begin in the minds of men, it is in the minds of men that the defences of peace must be constructed; that ignorance of each other's way and lives has been a common cause, throughout the history of mankind, of that suspicion and mistrust between the peoples of the world through which their differences have all too often broken into war; that the great and terrible war which has now ended was a war made possible by the denial of the democratic principles of the dignity, equality and mutual respect of men, and by the propagation, in their place, through ignorance and prejudice, of the doctrine of the inequality of men and races; that the wide diffusion of culture, and the education of humanity for justice and liberty and peace are indispensable to the dignity of man and constitute a sacred duty which all the nations must fulfil in a spirit of mutual assistance and concern; that a peace based exclusively upon the political and economic arrangements of governments would not be a peace which could secure the unanimous, lasting and sincere support of the peoples of the world, and that the peace must therefore be founded, if it is not to fail, upon the intellectual and moral solidarity of mankind.

For these reasons, the states parties to this constitution, believing in full and equal opportunities for education for all, in the unrestricted pursuit of objective truth, and in the free exchange of ideas and knowledge, are agreed and determined to develop and to increase the means of communication between their peoples and to employ these means for the purposes of mutual understanding and a truer and more perfect knowledge of each other's lives. In consequence whereof they do hereby create the united nations educational, scientific and cultural organization for the purpose of advancing, through the educational, scientific and cultural relations of the peoples of the world, the objectives of international peace and of the common welfare of mankind for which the united nations organization was established and which its charter proclaims.

It is the organization having these aims, and set up for that purpose that this resolution invites this house of parliament to approve and in which it authorizes participation.

Mr. BLACKMORE: Before the minister resumes his seat may I ask a question?

Mr. ST. LAURENT: I shall have no objection to answering any questions I can when I have concluded.

The constitution was drafted by representatives of forty-four states meeting at an educational and cultural conference in London in November, 1945. At this meeting Canada was represented by a delegation consisting of the Right Hon. Vincent Massey, Principal R. C. Wallace of Queen's university and Mr. Edmond Turcotte, then editor of the Montreal newspaper *Le Canada*. The delegation's advisers were drawn from the Department of External Affairs, the education branch of the Dominion Bureau of Statistics and the National Research Council.

The London meeting was the culmination of years of study and thought by various international bodies seeking to promote the international and moral solidarity of mankind, believing, in the words of the preamble to the constitution, that "since wars begin in the minds of men it is in the minds of men that the defences of peace must be constructed."

After the last war the importance of intellectual cooperation was appreciated and resulted in the creation of the international institute of intellectual cooperation which, through the generosity of the French government, was given headquarters in Paris. The international bureau of education in Geneva, also established in this period, likewise reflected the recognition of the need for some international cooperation through education. More and more international societies of scholars, scientists and artists began to meet at regular intervals to profit by friendly exchanges of ideas, but the development of totalitarian philosophies certainly impeded the growth and much of what was hoped from that development.

The second world war intensified the feeling that international intellectual cooperation was essential, and as early as September, 1941, Viscount Cecil took the lead in forming the London international assembly. A year later the first conference was held of the allied ministers of education which began to plan for the educational and cultural reconstruction of occupied countries. As this conference studied the problems of educational reconstruction in the occupied countries, it realized that it was necessary to go even further in promoting international cooperation in educational and cultural matters. The same need was realized in the United States where an unofficial education assembly in 1943 drew up plans for an international organization for educational and cultural development. In 1944 the United States proposals were discussed at the conference of allied ministers of education and a draft constitution was produced.

The British government then agreed to invite the allied governments to a conference to discuss this constitution in November, 1945. At the San Francisco meeting general endorsement was given of the resolution presented by France on cultural cooperation, and in the charter of the united nations, article I, section 3, full endorsement was given to the principle of promoting international, cultural and educational cooperation.

The nations at San Francisco, under the charter, also pledged themselves to take joint and separate action for the achievement of this purpose. The approval of the constitution of UNESCO, drafted in London in the fall of 1945, has already been given by seventeen countries. These include the United States of America and the members of the British commonwealth of nations—with the exception so far of Canada—Brazil, China, Denmark, the Dominican republic, France, Iran, Mexico, Norway, Saudi-Arabia, Syria and Turkey. It is fully expected that the required number of twenty nations will have ratified the constitution before the first formal meeting of UNESCO takes place in Paris in November of this year. In the interval, since the drafting of the constitution, plans for its organization have been developed under the auspices of the executive committee on which Canada has been represented, and by the preparatory commission.

A distinguished British scientist, Doctor Julian Huxley, has been appointed as secretary of UNESCO. The agreement defining the relations of UNESCO with the economic and social council of the united nations has been drawn up and will be considered at the meeting of the united nations in September of this year.

The organization has been given functions which I will not take time to read to the house, but which if I might have the consent of hon. members I would put on *Hansard* in order to give continuity to my remarks on this resolution.

Mr. SPEAKER: Has the hon. minister unanimous consent?

Some hon. MEMBERS: Agreed.

Mr. ST. LAURENT: The following functions have been given to the organization:

(a) to collaborate in the work of advancing the mutual knowledge and understanding of peoples, through all means of mass communication and to that end recommend such international agreements as may be necessary to promote the free flow of ideas by word and image;

(b) to give fresh impulse to popular education and to the spread of culture; by collaboration with members, at their request, in the development of educational activities; by instituting collaboration among the nations to advance the ideal of equality of educational opportunity without regard to race, sex, or any distinctions, economic or social; by suggesting educational methods best suited to prepare the children of the world for responsibilities of freedom.

(c) to maintain, increase and diffuse knowledge; by assuring the conservation and protection of the world's inheritance of books, works of art and monuments of history and science, and recommending to the nations concerned the necessary international conventions; by encouraging cooperation among the nations in all branches of intellectual activity, including the international exchange of persons active in fields of education, science and culture and the exchange of publications, objects of artistic and scientific interest and other materials of information; by initiating methods of international cooperation calculated to give the people of all countries access to the printed and published materials produced by any of them.

In carrying out these functions, UNESCO, must not interfere within the domestic jurisdiction of its members.

These purposes are safeguarded by section 3 of article 1, which is in the following terms:

> With a view to preserving the independence, integrity and fruitful diversity of the cultures and educational systems of the states members of this organization, the organization is prohibited from intervening in matters which are essentially within their domestic jurisdiction.

The organization includes a general conference, an executive board and a secretariat. The general conference consists of not more than five delegates from each member state and will meet annually to determine the policy of the organization. From the conference may come recommendations and international conventions for the consideration of the member states. Each member state is under obligation to submit such recommendations and conventions to its competent authorities within one year, but is under no obligation whatsoever to acquiesce if it does not think it is wise to do so. The executive board consists of eighteen members elected by the general conference for terms of three years. Members may serve not more than two consecutive terms. It is the duty of the executive board to carry out the programme laid down by the conference and, for this purpose, it is to meet at least twice a year. The elected members of the board are to be drawn from "persons competent in the arts, the humanities, the sciences, education and the diffusion of ideas, and qualified by their experience and capacity to fulfil the administrative and executive duties of the board." The election should also take into account the diversities of cultures and a balanced geographical distribution. The secretariat consists of a director general and such staff as may be required.

Each member state is required to make arrangements in accordance with its particular conditions for linking up principal bodies interested in educational, scientific and cultural matters with the work of the organization. It is suggested that this preferably be done by forming a national commission which would be broadly representative of the government and such bodies. The national commission or some such body is intended to act in an advisory capacity to the government and to delegations to the general conference. It is also intended to be a liaison between various educational and cultural organizations and the government.

Here in Canada we have not yet determined what form of action we will take to bring the bodies interested in educational, scientific and cultural advancement into relationship with this international organization. In the United States before the adjournment of congress a bill was adopted and signed by the president providing for the setting up in the United States of a national commission comprising one hundred members. Of course we would not have in contemplation anything as elaborate as that, but because of the jurisdiction of the provinces in matters of education we wish to confer with them as well as with the private organizations that exist for the promotion of educational, scientific and cultural development. It is desired to have some Canadian body that will be widely representative of the Canadian public and that will be entirely divorced from any partisan political influence, to make this a matter in which all those in Canada interested in educational, scientific and cultural development will feel that they have a part.

The precise financial relationship between the budget of UNESCO and the budget of the united nations has yet to be defined. A supplementary agreement is to be negotiated for that purpose between the two organizations. The view of the Canadian government is that the united nations should exercise a general supervision over UNESCO budgetary arrangements. It is also its view that caution should be taken in outlining financial commitments until UNESCO has had some experience in securing the cooperation of existing international organizations and societies in the educational, scientific and cultural fields. UNESCO is authorized with the approval of the executive board to receive gifts, bequests and subventions directly from governments, public and private institutions, associations and private persons.

The economic and social council is the liaison agent for the united nations with UNESCO. As mentioned previously, a draft agreement outlining this relationship was signed on June 4, in New York, subject to the action of the united nations in September and to that of the general conference of UNESCO in November. UNESCO will also consult and cooperate with other international organizations which presumably might include the atomic energy commission, the security council, though this is less likely, and the international labour organization.

It is one of those organizations designed to bring into cooperative relations those who are interested all over the world in educational, scientific and cultural development and, like the world health organization. It is hoped that this rapprochement between those who are, to paraphrase the words used by the hon. member for Peel (Mr. Graydon), convinced that it is important for the progress, development, peace and security of the world to regard

human values as more important than mere material things, will enable them to work together to bring about that state of mind where there will be less inquiring "who is my neighbour?" and more of a recognition that all men are of all men each other's neighbours.

Mr. BLACKMORE: Mr. Speaker, the minister promised to permit me a question before he resumed his seat, when Your Honour was not in the chair.

Mr. SPEAKER: I would suggest that the hon. member wait his turn.

Mr. MacINNIS: Mr. Speaker, I think it is really a matter of courtesy to permit the question. It is not very much that the hon. member is asking—leave to ask one question, not to make a speech. It is the usual custom to permit it, and I do not think he should be denied that courtesy.

Mr. SPEAKER: The hon. member may put his question.

Mr. BLACKMORE: Can the minister now find in the constitution and read to the house the passage or passages in which is set forth the technique through which the beautiful objectives already set forth are proposed to be achieved through the organization which Canada is now being asked to join?

Mr. ST. LAURENT: That is just what I have been explaining. There are various organs set up by the organization to endeavour through cooperation to further and achieve the objectives which have been indicated.

Mr. GREEN: May I ask the minister if all the member nations of the united nations organization have taken part in the setting up of this united nations educational, scientific and cultural organization?

Mr. ST. LAURENT: No. If the hon. member will refer to Canada treaty series of 1945, No. 18, he will find on page 32, indicated by the letter X, opposite the names of the countries, those who have signed the final act and those who have signed the constitution of the organization; and unfortunately the representatives of the Union of Soviet Socialist Republics have not so far indicated any intention of becoming members of the organization.

Mr. GREEN: The Soviet is taking no part whatever in this organization?

Mr. ST. LAURENT: So far it has not been taking part in this organization.

Mr. DONALD M. FLEMING (Eglinton): Mr. Speaker, in the terms of the present resolution this house is asked to approve the constitution of the united nations educational, scientific and cultural organization signed at London on November 16, 1945. I for one trust that the resolution will have the unanimous endorsement of the house.

May I first deal with the point which was raised by the last question. Actually in the paper to which the Minister of Justice and Acting Secretary of State for External Affairs (Mr. St. Laurent) has just referred, treaty series 1945, No. 18, there are three documents. The first is the final act of the conference which met at London in November last; the second is the constitution of the organization commonly called UNESCO, and the third is the instrument establishing the preparatory commission looking forward to launching the new organization and putting it in running order. All that the house is asked to approve, as I understand it, in this present resolution is the second of these documents, namely the constitution of the organization.

I should like to point out that forty-four nations participated in the conference at London. Russia, as has been mentioned, along with the two Soviet republics which are granted separate international representation—the Ukraine republic and the Byelo-Russian republic—were not represented. Of the forty-four nations which attended the conference, forty-three signed the final act. Only El Salvador refrained from signing the final act. As for the constitution of the organization, thirty-nine nations signed. Those which did not sign were: El Salvador, Australia, France, New Zealand and the United States of America. As for the third document, the instrument establishing the preparatory commission, forty-one nations signed; the three abstainers were El Salvador, Australia and France. It is a matter of general regret that this conference was not attended by any representatives of the Union of Soviet Socialist Republics or the two other Soviet republics to which I have referred, and that there has been no indication from the Soviet union of any intention as yet of participating in this UNESCO organization.

I think that at the outset we should see this organization in its true perspective. It is established, as has been indicated, as one of those specialized agencies which were contemplated when the economic and social council of the united nations organization was brought into being; and it is in measures such as this, the setting up of specialized agencies of this kind, with the aim of ensuring peace by eliminating the ultimate causes of war, that much of the hope of the world for the future lies.

It is to be seen that in the approach to this agencies of this kind, with the aim of ensuring that peace must be constructed on a broad basis, that there must be the broadest possible approach to the problem of establishing sure and permanent peace.

Examining the organization itself, one must, I think, readily assent to the view that the form of the organization in the field assigned to it is or promises to be satisfactory. It is modelled on a form which has been given to other international organizations established within the past year. It has a general conference, which corresponds to the assembly in the case of the united nations organization, and it has an executive board of eighteen and a permanent secretariat. There is a feature in connection with the organization which I think is worthy of mention. It will come into existence when twenty signatory nations ratify the constitution. The admission of members is put on this basis, that members of the united nations organization are automatically entitled to membership in UNESCO; and as to other nations which are not members of the united nations organization, they may be admitted by a two-thirds majority vote of the general conference. That will take care of any nations which are not yet signatories of the charter of the united nations organization.

As to the executive board, it is worthy of note that whereas membership in the general conference is on the basis of nations, when the selection is made of the eighteen members to constitute the general conference, they are selected as persons. There is one qualification in the agreement, to this effect, that no nation may have more than one representative on the executive board except in the case of the nation from which the president of the board is drawn.

The form of the organization promises, I believe, to be satisfactory. What shall we say of the purposes which have been assigned to it? On reading the purposes which have motivated the forty-four nations to sit down together and write this charter, one can say only that they have conceived the purpose of UNESCO in the loftiest terms. They have gone to some of the ultimate causes of war. They have opened with the challenging statement that, "since wars begin in the minds of men, it is in the minds of men that the defences of peace must be constructed"; and in the succeeding statements in reference to the purposes there are certain expressions which ought to be set beside one another by way of contrast. On the one hand we have reference to suspicion and mistrust, the doctrine of the inequality of men and races, as being sources or breeders of war and the spirit of war. On the other hand we have offered, as antidotes, the democratic principles of the dignity, equality and mutual respect of men, the wide diffusion of culture, the education of humanity for justice and liberty and peace, and finally, the intellectual and moral solidarity of mankind.

At one o'clock the house took recess.

The house resumed at three o'clock.

Mr. FLEMING: Prior to the one o'clock adjournment I had touched on two of what I conceive to be three important matters affecting the resolution now before the house The first was the form of organization of the united nations educational, scientific, and cultural organization. The second had to do with its purposes. I should like to read one further passage from the provisions setting forth the general objectives:—

> For these reasons, the states parties to this constitution, believing in full and equal opportunities for education for all, in the unrestricted pursuit of objective truth, and in the free exchange of ideas and knowledge, are agreed and determined to develop and to increase the means of communication between their peoples and to employ these means for the purposes of mutual understanding and a truer and more perfect knowledge of each other's lives.

If I may interject there, that statement may appear to be a stumbling block to Russian participation in the UNESCO as constituted at present, because undoubtedly we have no evidence of a free exchange of ideas and knowledge being permitted by the Russian government with people in other parts of the world, or any willingness to increase the means of communication between their people and the other peoples of the world. If the time comes when that barrier is broken down and an exchange of information, ideas and understandings is permitted between the peoples of that country and the peoples of the rest of the world, then indeed we shall have achieved a greater measure of assurance of lasting peace.

Article I of this constitution has this to say:

> The purpose of the organization is to contribute to peace and security by promoting among the nations through education, science and culture in order to further universal respect of justice, for the rule of law and for the human rights and fundamental freedoms which are affirmed for the peoples of the world, without distinction of race, sex, language or religion, by the Charter of the United Nations.

There we have a lofty statement of the purposes of this organization, a statement which must have the willing and enthusiastic

adherence of all enlightened peoples the world over. But, Mr. Speaker, we can have the most perfect form of organization, we can have the loftiest form of statement of the purposes of the organization, and yet see it waste, atrophy and fail. There is one factor which must be added to these two if this organization is to achieve for humanity the objects which it has set before it. That third factor is the will on the part of the governments of the states concerned, yes, and, beyond them, of the peoples in those states, to make this organization really effective for the achievement of the purposes set forth in the constitution. Unless that is made the real purpose on the part of the peoples of the world, and through them of their governments, this constitution will become but a musty document in the Canadian archives. It is a duty which rests on parliament, it is a duty which rests on the people in public life in this country and in other lands, to bring home to the people the fact that this organization is not far removed from contact with reality, that it is not something far removed from their experiences, but something which is vital to them in their hopes for lasting peace and an opportunity to live their lives in security.

What we need is a happy blend of idealism and realism. There will be some who will ask what immediate advantage this offers to Canada, and who will judge Canada's or this parliament's duty of adherence to this organization by the answer to that question. I do not believe any one of us can pretend that this organization offers some immediate special advantage to Canada. If we are to measure our efforts to build lasting peace simply by their immediate fruits, then I am afraid our measures are going to appear very ineffective indeed. We must take a long-range view and measure our progress in relation to long-range objectives.

I affirm with confidence that there is no nation, the world over, which has a greater stake in the peace of the world than has Canada. All of us are well aware of and conscious of the danger that if there should be another world war Canada may well be the battleground. We know that if we are to have hope of progressing and developing this land with all its great natural resources we must have peace and settled international relations. We know all too well the threat to national unity in this country which war has always brought. Therefore I say that this nation has as great a stake in international peace as any nation in the world.

There are some who will say, let us mind our own affairs, the education of our own people, and let other people look after their own affairs. Are there any who say that in the light of the experience of the world in recent years? If there are, let them cast their minds back to what happened in Germany when Hitler came to power. Almost the first things he did were to abolish trade unions and to seize control of education. What happened? Hon. members well know the way that the educational system of that country was made to serve the purposes of the nazi ideology. Hon. members will recall the way in which the universities were closed, the libraries burnt, the university professors and teachers who were not prepared to inculcate the nazi ideology sent to the concentration camps, and the educational system bent to serve the purposes of the nazis. You remember, Mr. Speaker, that it was not a generation which was uneducated which burst forth upon the world in 1939, but a generation which was educated according to Nazi standards, a generation which like its fathers in 1914 thought that it was carrying a superior brand of culture to inferior peoples elsewhere in Europe and abroad. Yes, Mr. Speaker, you will recall the tramp, tramp of these booted nazi youths marching through Nuremburg in torchlight processions in the early days of the nazi regime shouting out, *"Deutschland erwache"!* Germany awake! And Germany awoke.

You remember also what happened to the educational institutions in the lands which were subjugated by the nazis. They were among the first things of which the invaders seized control. They closed the educational institutions or used them to serve the nazi purposes. Anyone who dares to say that the education of the youth of other lands is no concern of Canada while we are training our youth for peace has closed his eyes to what has taken place. While we are training our youth for peace dare we shut our eyes if other nations are training their youth for war? I say, no.

Consider the need in Europe to-day. The need is simply appalling. How can we expect any reconstruction of Europe, any return of Europe to peaceful objectives, unless there is a return of the educational and cultural institutions of that continent? It is good, Mr. Speaker, that the preparatory commission should have set this out as one of its first objectives. It will be found in article 6 of the instrument establishing the commission, as follows:

> The commission shall appoint a special technical subcommittee to examine the problems relating to the educational, scientific and cultural needs of the countries devastated by the war, having regard to the information already collected and the work being done by other

international organizations, and to prepare as complete a conspectus as possible of the extent and nature of the problems for the information of the Organization at the First Session of the Conference.

We Canadians pride ourselves, and rightly, Mr. Speaker, on the contribution this country made to the winning of the war and to humanity through other media such as UNRRA and international loans. What we need to do now is to match that contribution with our contribution to mankind in the educational, scientific and cultural realm. In the educational realm no land in the world attaches greater importance to education than this country; in no land the world over, I suggest, is there a firmer conviction that the opportunities of education must be open to all on an equal footing, and in no country in the world is there a more determined attempt constantly to improve the methods of education. Furthermore, we have happily developed in this country a large number of educationists, leaders in that field, who with this widened opportunity are now capable of making a valued contribution in this realm to other lands as well.

In the field of science this country already possesses a formidable roll of great Canadians who have made vast contributions—and this is a matter of which I think Canadians should be especially proud—on the constructive side of science. Look at the list of the great Canadian scientists, and with very few exceptions you will see that their contribution has been to the welfare of humanity rather than to developing means of destroying humanity.

In the third place, in regard to the cultural realm, I contend that this country is in a position to make a unique contribution. We have two great cultures in this country, to which have been added the cultures brought to this country by those whom we call new Canadians. We have flourishing here not only the art, literature, music and humanities imported from other lands; we are also developing original accomplishments in these fields. This nation can measure its greatness and its accomplishments not simply in material things, but also in these things of the spirit.

Yes; we can contribute much to and we can receive much from this organization. It is worthy of note that already UNESCO has received the approbation of distinguished Canadians who are particularly concerned in this field. I quote only one such expression, contained in a newspaper interview given by Doctor Sidney Smith, president of the University of Toronto, appearing in the *Globe and Mail* of November 23 last. Speaking of UNESCO he said:

> This new organ is as essential a prop to world security as any other agency in the united nations organization, economic, political or military.

Then he went on to observe, and I think this is worthy of note, that there was no comparable organization under the old league of nations.

Mr. MARTIN: Merely intellectual cooperation.

Mr. FLEMING: The Secretary of State is quite right in referring to the organization for intellectual cooperation, but I suggest to the house that the aims of that organization were never carried to the length that has been outlined in the charter of the organization now before us.

Let us not forget that we are not doing something light here to-day in approving this charter. Let us remember that we are assuming obligations. It is obvious that in the first place we have assumed an obligation in the field of education, science and culture, to try to mould our national objectives so they will be in harmony with those set forth in the constitution of UNESCO. That should not be difficult, because our aims in these fields are and always have been peaceful. But we must bear in mind also that there is a further step to be taken in the way of organization. In article VII of the charter we have this provision:

> Each member state shall make such arrangements as suit its particular conditions for the purpose of associating its principal bodies interested in educational, scientific and cultural matters with the work of the organization, preferably by the formation of a national commission broadly representative of the government and such bodies.

I do not need to say more than a word on the subject of a national commission for Canada, in view of the remarks made this morning by the acting Secretary of State for External Affairs (Mr. St. Laurent), but I do offer two observations by way of caution. In the first place, if we are to have a national commission, as I hope we shall, it must be broad and representative in its composition—representative of the best Canadian thought and culture in these kindred fields of education, science and culture. In the second place, we must be very careful that we do not in any way interfere with or trespass upon the autonomy of the provinces in the matter of education. I am sure the house welcomed the assurance given this morning by the acting Secretary of State for External Affairs that no move will be made in this direction without full consultation with the provinces.

In conclusion, Mr. Speaker, may I say that Canada's place is definitely in this organization, and that Canada must take a prominent, yes, a leading part in the functioning of the organization. We have in this country men of the calibre required to make the executive board of UNESCO a useful and outstanding organization. We have in this country men capable of making a great contribution to the deliberations of the general conference. Because of the part Canada played in the drafting of those provisions in the united nations charter which govern the powers, functions and purposes of the economic and social council, we shall wish to see to it that in UNESCO, so closely related in its objects to the economic and social council, the work is carried forward in complete loyalty to its stated objectives.

It would be a brave man indeed, perhaps only a foolhardy one, who would prophesy success for this organization. It may be difficult for many to see an assurance of success for it until Russia participates and cooperates fully. But the possibility of Russia still standing aside and declining to cooperate or participate, in my humble submission, still is not the greatest danger to the success of the organization. The greatest danger will be the indifference and apathy of governments, of parliaments and of peoples, the feeling that this sort of organization is altogether too remote from them. The greatest danger will be that parliaments, perhaps this one this afternoon, will say, "When we have ratified this charter we have done all that is expected of us." In ratifying this charter, as I trust parliament will ratify it, we are not fulfilling our obligation. We are rather assuming and acknowledging an obligation which must be fulfilled over the years to come. It is needful for us to realize that to-day we are simply taking the first step, that we are accepting an obligation. Its fulfilment in the years to come will be a high privilege and a great responsibility for all men in public life in this country.

Mr. R. R. KNIGHT (Saskatoon City): You may be sure, Mr. Speaker, that I listened with great interest to the address of the hon. member for Eglinton (Mr. Fleming). You may be sure that I am very much interested in the resolution, such as it is, presented by the Acting Prime Minister (Mr. St. Laurent) this morning, and a little later I shall try to explain what I mean by "such as it is." I was interested in hearing the preamble read; I believe it included some such words as "it is in the minds of men that wars begin. It is in the minds of men that understanding must be created." Whether or not the first part of that paragraph is true, I shall not discuss here. I could debate it, I think, at some length. But I do certainly believe it is in the minds of men that understanding must be created.

May I say I was somewhat disappointed in the comments made this morning by the hon. member for Lethbridge (Mr. Blackmore), because I felt he was expressing a narrow nationalist point of view. I believe we should share in common with all the people of the world, whether it be in health matters or matters of education, all such knowledge as we have been fortunate enough to get into our possession.

I should like to congratulate the minister upon bringing in this resolution. Many of us have been waiting for it, and for more, for a long time. All the educational bodies in this country have been waiting for it, and in that I include the Canadian Teachers' Federation, the Newfoundland Educational Association, the Association for Adult Education, and the like. It will be welcomed throughout the whole country by those who are interested in education.

It will be noticed that while this is a threefold measure, I am emphasizing the educational feature of it. At this point I might quote from a letter I received from an interested friend, who says:

> In view of the activities of the preparatory committee which has been meeting in London recently, and in view of the way their action may easily affect Canada, we are very anxious that the Canadian parliament should ratify the UNESCO charter and should set up the enabling bodies which would act with the commissioners, or representatives, who would represent Canada on the UNESCO council. Indeed, a great many of us have been urging this upon the government for a long while.

This resolution is the result of the recommendation of the preparatory conference. The minister read that recommendation this morning. I would draw to his attention the fact that it consisted of two parts, but that in the resolution there is no mention of the second part. That was why I said in the first place that I welcome the resolution, such as it was.

Article VII, to which the hon. member for Eglinton (Mr. Fleming) referred, is as follows:

> 1. Each member state shall make such arrangements as suit its particular conditions for the purpose of associating its principal bodies interested in educational, scientific and cultural matters with the work of the organization, preferably by the formation of a national commission broadly representative of the government and such bodies.
>
> 2. National commissions or national cooperating bodies, where they exist, shall act in an advisory capacity to their respective delegations

to the general conference and to their governments in matters relating to the organization and shall function as agencies of liaison in all matters of interest to it.

3. The organization may, on the request of a member state, delegate, either temporarily or permanently, a member of its secretariat to serve on the national commission of that state, in order to assist in the development of its work.

In the budget debate I had urged that upon the minister, when I said:

I urge upon the government some immediate action by way of a beginning. In this field there is no minister, no government department to give a lead; some leadership should be arranged forthwith.

When I said that I was referring of course to Canadian leadership.

The national commission should be set up at once as a consultative and advisory body.

As I said, the resolution submitted this morning does not mean much to me, other than a resolution, because it is barren unless it can be persuaded to give birth to such organization as is visualized in article VII—that is, an enabling body, a national body, through which a government can keep in touch with and be advised by those directly interested in education, in science and in culture.

This body fills an absolute need. As I pointed out, there is no minister, and no department. How can such a body be made up? Well, in my opinion, since there are three matters to be dealt with it should be set up in panel form. I believe there is good reason for that, on the basis of arts, science and culture. The first reason is this, that I think predominant among the three is the question of education. The demands of the provinces for representation as such might make that element too large, and they might crowd out the others. I think, too, that the members of each panel, if it were set up in that way, would be specialists in their own particular subjects, and so would be well informed in the subjects about which they were talking, whereas the whole body collectively might not be skilled in one of these particular phases.

The matter of education is that in which for the moment I am most deeply interested. As I see it, this body should have representation from all the major educational organizations in the country, and certainly from the Canadian Teachers' Federation and the C.N.E.A. I would urge that the government consult with those bodies before setting up such a commission.

Again, I think the commission should have wide representation geographically across the country; each province would probably wish to be represented as such. I wonder whether the question of autonomy in provincial education, which seems to concern so many minds, had anything to do with the minister's not completing the set-up at this particular time. At this point I should like to quote a paragraph from a letter from an interested friend on the subject:

We are rather concerned that the discussion on the UNESCO charter should not be sidetracked by too much emphasis being placed upon the fact that education in Canada is a prerogative of the provincial governments. It is true that formal education is in the hands of the provincial governments, and probably quite rightly, but there is a very great deal of education being carried on informally in Canada by a very great many bodies that are national in scope. Indeed it seems to be quite likely that those features of the educational movement with which UNESCO will be mostly concerned will be the work of these informal bodies.

I shall not attempt to add anything to that argument, but shall simply say that I am in hearty support of the resolution. Again I qualify that statement by adding the words, for what it is worth. It is at least friendly and benevolent, and I urge the minister to take the steps necessary to give it force and practical value.

Mr. T. L. CHURCH (Broadview): Mr. Speaker, I should like to say a few words about the constitution of this organization. As hon. members know, it was the United States which proposed the San Francisco conference. Russia was against it; Churchill was against it. However it was the idea of the late president of the United States, who did so much for civilization. What happened? The big powers were unrepresented except by members of the cabinet; the leaders were not there. They inserted in the charter of the united nations a veto clause for the big four. Here you have Russia, the United States and Great Britain, and now they have added China and France. They divided the world into large powers, the big five; middle powers and smaller nations. As you know, the whole proceeding down there at San Francisco for security has collapsed, after Moscow, Potsdam, Yalta and Paris. There is no such thing in the world to-day as collective security. When you read over this document, treaty series No. 18, final act, you find on page 32 a list of the big four, the middle powers and the smaller nations. You find also that to-day almost every one of them is violating the world's charter which was drawn up at San Francisco. It has turned out to be nothing but a scrap of paper. If we are to have all this internationalism we will lead the countries to another war. Let us start our internationalism with the British

empire first. I should like to read two or three quotations from the constitution, the first being:

—that since wars begin in the minds of men, it is in the minds of men that the defences of peace must be constructed.

Those are not original words; they are copied from the theory of Abbé de St. Pierre, who first set these words out in his "Theory (1713) of Collective Security". The main object of this new organization is to change the hearts of men. As I pointed out, a great historian, Professor S. R. Gardiner, commenting on the treaty of Utrecht of 1713, said:

The truth is that states combine readily through fear and very seldom through a desire for the common good, and when Louis XIV ceased to be formidable, each state thought exclusively of its own interests.

That is what each of the smaller and middle states are doing to-day, and the larger powers too. What happened last November when this organization was meeting in London? The big powers had a conference at Moscow and at Yalta. What happened over there? Mr. Attlee was there, Mr. Bevin was there, Mr. Byrnes and Mr. Stalin were there at Moscow. What did they do? They carved up Europe and the result is that the twenty-one nations who met at San Francisco, now at Paris, have no more to do than the man in the moon with the peace division of Europe, because one of the large powers can veto everything they do. The whole organization at San Francisco fell to the ground by this absurd veto insertion, because any one of the big powers can veto all the acts of the others.

What about this change in the hearts of men? No one sees it as yet after 150 years since Abbé de St. Pierre's days. I quote from page 10 of the final act, treaty series 1945, No. 18 united nations conference to establish security, as follows:

—that ignorance of each other's ways and lives has been a common cause, throughout the history of mankind, of that suspicion and mistrust between the peoples of the world through which their differences have all too often broken into war;

that the great and terrible war which has now ended was a war made possible by the denial of the democratic principles of the dignity, equality and mutual respect of men, and by the propagation, in their place, through ignorance and prejudice, of the doctrine of the inequality of men and races.

What has been the result of all that? They simply copied the language which was used after the battle of Waterloo in the Concert of Europe when there was talk again about changing the hearts of men. In 1713 the great learned French scholar, Abbé de St. Pierre, first set out the theory of collective security in France. He went to a very able cardinal of France, Cardinal Fleury, and asked him to consider the scheme. The cardinal replied, "Have you sent out missionaries to turn the hearts of men?" That is what should have been done down in San Francisco. Instead of sending delegates from Canada and the other countries we should have sent missionaries down there to change the hearts of men. Until the hearts of men are changed there will be war as long as time lasts. Nearly seventy-five or eighty years ago Ruskin, one of the greatest authors of his day, and a man of peace, spoken of war; he said exactly what the cardinal said in "His Crown of Olives," to show the folly of all this new form of pacifism.

They had the Concert of Europe after the war of 1815 which was set up along the same lines as this organization, to change the hearts of men for scientific and educational purposes and for the good of humanity. The very same language was used then when they set up the Concert of Europe, composed of Austria, Prussia and Russia, after the battle of Waterloo. Nothing more was heard of collective security until by this new pact made in 1815 Emperor Alexander I of Russia proposed what is known as the Holy Alliance, or the Concert of Europe. Between whom? Between Austria, Prussia and Russia. They were to meet every few years, the contracting parties, to look over the face of Europe and see how peace and security was. What did it lead to? It led to the great prime minister of Great Britain, George Canning, urging that Britain should get out of Europe and seek a new alliance for a while; and it led by provocation to the United States adopting the Monroe doctrine in 1823. As Lord Castlereagh, the great British foreign minister, wrote to Lord Liverpool in 1815 at the Quai d'Orsay, "It was not without difficulty that we went through the interview with becoming gravity." It was the spiritual force between the Concert of Europe of which Russia, Austria and Prussia were the protagonists. They were the high contracting parties. It lasted eight years, its most notable achievement being that it provoked the United States into establishing the Monroe doctrine in 1823.

Then followed over a century or more, more security pacts in Dumbarton Oaks and the San Francisco conference. But what does it lead to? The hon. member for Eglinton (Mr. Fleming) seems to have great faith in this new pacifist organization, but I have none at all. As has been said, Russia has a treaty with Great Britain for ten years, and France and Britain must have a treaty or understanding immediately if they are to preserve any security for the world on the western front in the future. Unless we can continue the coopera-

tion that existed during the war between Russia and the United States and Great Britain, then all collective security will be at an end.

What nations were represented at London on November 16, 1945? I will name just two, Greece and Turkey. Greece was against us in the first world war, and so was Turkey. What are they doing to-day? In view of Great Britain abandoning the Suez canal they were said to be trying actively to get an arrangement with Russia behind the scenes. So are several of the other nations seeking alliances, defensive and offensive. The great and small nations are seeking alliances with each other because they feel that only by having alliances can they keep the peace and security part of this organization. Without that, the educational, cultural and scientific parts of it will come to an end.

There is nothing said in this pact about cooperation and coordination in connection with the atomic bomb. The only league of nations that ever was a success to carry out educational, scientific and cultural work was the British empire. That is the only successful league of nations we have ever had.

On page 4 of the final act it states:

> The following international organizations were also represented by observers:
> International labour organization.

That has very little to do with this organization's function, as it is simply done for labour by another organization for labour. Talk about the league of nations and security—it was the league of nations that caused the second world war. It was nothing but pure sham and humbug of the league that led to the second world war. It was the league of nations that led Britain and the United States to disarm. It led Britain to throw away the finest navy, the finest army and the finest air force the world had ever seen, and allowed Hitler to rearm and scrap the Versailles treaty. It led to the second world war. And now they are at it again, these pacifist leagues! They have formed a new league organization with a new name and are appearing before even our own external affairs committee. I see represented at London last November the Pan-American union. We are a member of the British empire. The greatest league of nations that the world ever knew was the British empire; Great Britain and the commonwealth and the dominions, all united together are the hope for peace and for the defence of the world. Britain and the commonwealth had to go it alone in the early years of the war. Russia at that time had a treaty and an alliance with Germany, and for two years she stayed on Germany's side. Then Russia violated her treaty and came over to us. Russia might have lost the war but for Britain and the commonwealth alone for two years fighting Germany.

I say that this sort of organization has been tried before and it has failed for over two centuries. So far as science goes, there may be something in that. I referred to science and the part it has played when the minister's estimates were up last year. I said:

> Take modern medicine alone, the child of science, the most promising and brightest-eyed of her family. If it has not mastered, it has so diminished as to rob bodily pain of its terrors.

That is true. But science does not need the help of any pacifist paper organization like this. We have seen what happened about the atomic bomb. Science can get very little help from a paper organization like this, which will lead only to war instead of bringing about peace and security.

Bishop Rennison in one of his articles referred to the tower of Babel and said that we have another tower of Babel in San Francisco, Yalta and others of these pacts which are being made among the nations of the world to-day. He said that they mean nothing unless first there is a change in the hearts of men and we go back to the principles of the original Christian church. Next to the Christian church the British empire has done most for peace and security. I have very little faith in these international bodies. We saw the result of their work in the first world war and between the two wars.

Some of the countries that are listed as members of this organization were on the side of Germany in the last war—Argentine and others listed now. Some of these pacifist organizations have caused disunity within the empire and the abandonment of the Suez canal, which is the jugular vein of the British empire. India is also listed at the back of the book. It is the lifeline of the British empire, just as preferential trade is the bloodstream of the British empire. Some of these countries here did nothing for us in the war at all, and here they are signing their names to the final act, to a paper pact that means nothing. If Canada joins this organization it will be just like the other league. Canada will pay just like she did before, while many of the twenty-one member countries never paid a cent of their allotted contributions to the old league. I would like to see this session closed at the end of next week, but I object to these matters being dealt with in this manner. It is impossible to discuss them properly at the resolution stage, and without their being referred to a committee.

I saw the first great war coming, and I was a lone voice in this house in urging preparations for it. I urged rearmament all along the line, and trade, defence and migration within the empire. I can tell you this, that a lot of these organizations are not worth a snap of the finger so far as scientific or educational results are concerned for peace or security or anything else. Education is exclusively a provincial matter. In 1937 and 1938 and 1939 I told the pacifists in this house that war was coming and that we should rearm, but I was not heeded. Then the war came, and after the first world war the league of nations was established, and then we had a second world war, and we are heading into a third world war if we depend on pacifist organizations like this. While I am a strong supporter of science and education, I have very little faith in any of these organizations. The San Francisco conference took place eight months before a presidential election, and resulted in nothing but more chaos and confusion, and caused friction with Russia. What has Russia done? She has taken over Persia and captured the Balkans and Roumania. She has gone in there and established a system of communism in all the Balkan countries. She has got control of eastern and central Europe. I for one have no faith in organizations like this, or the new league of the same old source. I have read the debates in the British house on this proposal and I believe that men of science or educational authorities will have very little to do with this organization. I believe it will do nothing at all for education or science or to prevent war. Talk about pacifism —there are one or two organizations represented in this building to-day—labour and steel strike organizations. How are you going to pacify the world if you cannot pacify labour now in our building? How are you going to change the hearts of men? I was in Hamilton on Sunday and it is like an armed camp at the steel plant. Better start in at Ottawa changing the hearts of men in a domestic strike first. Then you may get somewhere. But these international paper organizations are nothing but a waste of public money.

Mr. F. S. ZAPLITNY (Dauphin): Mr. Speaker, I consider this one of the most important resolutions to come before the house. It is far-reaching and has great possibilities. I do not think everything that is written into this treaty or into the resolution can be accomplished immediately, but I am inclined to have a little more faith in the possibilities than some of the speakers from whom we have heard so far. If I were asked to summarize the purport of the whole thing in a slogan I would call it "Peace through education." The opening sentence of the preamble sums it up very well. The acting Prime Minister (Mr. St. Laurent) has referred to it already. It says that the defences of peace must be constructed in the minds of men.

I cannot agree with the whole sentence, because it says first of all that wars begin in the minds of men. That is only relatively true. If we were to give it a very wide and general interpretation we might be able to say that that is true; but it fails, it seems to me, to take into consideration certain other causes which are far more important than the mere mental condition of the people. I have too much faith in humanity to believe that people declare war on each other or fight each other merely because they dislike each other. It is quite true that people who do fight must first dislike each other, but it seems to me that the root causes of war go much deeper than mere dislikes or hatreds that are the immediate point from which people begin to fight. I am inclined to think that there are certain considerations such as the following which have not been faced up to in this declaration.

For example, they do not seem to take into consideration the clash of economic interests. We must be realistic as well as idealistic,—to paraphrase what the hon. member to my right (Mr. Fleming) said—and realize that so long as we talk in terms of international competition—and we had an example of that yesterday, listening to one of the speeches on export trade, about competing with our neighbour nations for the markets or the resources of the world—we are going in the direction of conflict. I think we must approach it from the point of view of co-operating with other nations in sharing the wealth of the world, realizing that we have now reached the point where it can be said definitely that there is enough for all. That may not have been true a hundred years ago. It certainly can be said to-day that, with the power of production which the world possesses, there is enough for all if it is shared in co-operation; but if it is put on the basis of competing for it, we shall do what we have done before, we shall waste and destroy it, and everyone will be hungry in the end.

Again, there is the consideration of the economic exploitation of man by man. This is a realistic consideration, and one which we must face. A moment ago the hon. member for Broadview (Mr. Church) brought up that point in a different way when he remarked that one of the cities in this country has

reached a condition where it is practically an armed camp. Why? Is it because there is not enough food, clothing and shelter in this country to go round? Is it that they are fighting over something which all cannot have? It is not that, but because there are in our economic system people—whom I do not blame individually, because they are the product of the system which has been built up—who have more economic power and have concentrated more wealth in their hands than they are willing to allow their fellow men to possess. That exploitation causes men to envy and hate each other and in the long run leads to conflict.

Then there is the contraction of the world community. We have good examples of that all around us. Every time we see the news on the screen we are struck by the fact that the world seems to be continually getting smaller. To-day distance does not count for what it did years ago; and the bringing together, sometimes the sudden bringing together, of the peoples of the world by our modern means of communication creates certain types of friction which must be overcome before we can say that "war begins in the minds of men."

Perhaps the greatest of all is the failure of nations so far to make adjustments in their social and economic philosophies and systems to keep up with the advance of science and with technological development. I do not think anyone will disagree when I say that socially and economically we have not kept up with the times. We have found it possible through scientific skill to develop certain processes and inventions and certain ways of doing things which were not dreamed of a century ago, but in our economic and social thinking we have not advanced at the same rate.

With that introduction I want to say that I do have faith and hope that this organization will amount to something more than is possible at the present time. In article I, under the heading "Purposes and functions", we find something which it seems to me could have been more properly divided into three parts, because it sets out the purpose of the organization, the reason for those purposes, and also the method. For example, the purpose is, "to contribute to peace and security". There is no quarrel as to the desirability of that. The reason, it goes on to say, is "to further universal respect of justice, for the rule of law and for the human rights and fundamental freedoms which are affirmed for the peoples of the world, without distinction of race, sex, language or religion, by the charter of the united nations." Also very desirable, very elevated. We come to the third part, the method by which this is to be attained, namely, "by promoting collaboration among the nations through education, science and culture." It is this part of article I which I want to question. I am not altogether sure that this constitution provides, or at any rate adequately provides, for that method, because if we turn to the third paragraph of article I we find this clause:

> The organization is prohibited from intervening in matters which are essentially within their domestic jurisdiction.

I do not want it to appear as though I was in favour of interfering with anyone's domestic matters, whether provincial or national, but I do say that if we are to have education for peace, and if it is to be effective, it must be universal. I join with the hon. member for Eglinton (Mr. Fleming) in his deep regret that the Soviet union and the republics associated with it have not seen fit so far to become participants in this organization, because I believe that both the Soviet union and the countries which are now in the organization would gain much and lose nothing by standing together and working out ideas on world affairs. If education for peace is to be effective, it must be universal; it cannot be limited. We shall have to work towards that objective, because if we do not, I am afraid that what the hon. member for Broadview said will be only too true, that it will be a paper organization and nothing more.

What do I mean by "universal"? I do not mean that through the united nations organization full power and jurisdiction will be had over education in every school of the world, but that through that organization there must be power to present at least a minimum programme. It would be by its nature very limited in scope, because it would have to be the most that all could agree upon, and that would be precious little at this time. But if we can find even a modicum of education for peace on which all nations can agree, and then give the united nations organization the power to see that this type of education is available in every school in the world, we shall have made a step towards peace. If we do not do that, I fear we shall not have accomplished anything.

Those who fear that this interference with the domestic education of nations will be a serious contravention of our sovereignty will find, if they turn to the powers given to the security council, that that council under the united nations organization is empowered to interfere physically in the affairs of nations

when there is a threat of war. Surely, by the same logic and reasoning, if it is necessary to give powers to the security council to interfere physically in the affairs of nations in order to avoid the threat of war, it is just as reasonable to say that we should give to UNESCO or the united nations enough power to lay the foundations of peace in the first place, in order that it may not be necessary for the security council to interfere with physical force in order to put down aggression when it has already raised its head. I think that is fundamental; and if we are going to get into this we might as well get into it and be serious about it. I would have no hesitation in giving UNESCO sufficient power to enable it to present a minimum programme of education for peace in every school room of the world. A great deal more could be said about it, but most of these considerations have been pointed out by other hon. members.

Listening to the hon. member from Lethbridge I could not help but agree with him to this extent, that if this organization is to be successful it must be practical and it must begin at home. Sometimes I am a little surprised at how quick and ready we are to sign our names to and endorse great and high sounding objectives provided it is something that we shall not have to do. It is not so long since I had the honour of introducing a resolution to provide for equality of education in Canada. I mention that merely because these very words are used in one of the objectives of this organization; not for Canada only but for all the people of the world. Although my resolution received some sympathetic consideration on this side of the house, it was given none on the other side. I am a little concerned as to how we, who are not willing to extend equality of opportunity and education to our own citizens, are to undertake to do it for all the peoples of the world. I hope that we shall begin at home. But I do not agree with the hon. member for Lethbridge when he says that our philosophy has to be one of minding our own business. I have no objection to anyone minding his own business provided that we as a nation could mind our business within the borders of our own country. If that were possible I should be glad to follow his advice, but in our has to be one of minding our own business. seems to be scattered all over the world. The world seems to have arrived at the stage where you cannot draw a boundary line and say, up to here is indeed my business and from here on it is not. It simply does not work that way. We shall have to make up our minds whether we are going to cooperate with other nations in taking part in organizations of this kind, in the hope that through collective action we may preserve peace, or whether we are going to hide our heads in the sand in the hope that when the avalanche comes it will be outside our own particular area.

[Mr. Zaplitny.]

Mr. WILLIAM IRVINE (Cariboo): I shall not take more than just a few minutes of the time of the house. I really want to register my objection to certain phases of the agreement now before us.

Let me say at the outset that I am in hearty agreement with every move which will bring the nations together in cooperation to do anything which is necessary to be done for human good. I agree that a great deal may be accomplished by cooperation in the way of extending education, good will, science and so forth. To that extent I am in favour of the proposal now before us. But I think it is unfortunate that such good objectives should have been postulated on what is to me an absurdity and an error, an error biologically, historically, scientifically or in any way you wish to take it. And that error is the one upon which most hon. members who have supported this agreement have pinned their faith, namely, that since wars begin in the minds of men it is in the minds of men that the defence of peace must be constructed. I say that that is simply a false philosophy; it is an assertion for the truth of which there is no evidence in history or in science. Apparently it is only because we can swallow that error that this parliament and this nation and others can proceed with policies which are fast developing the next war, while we indulge in verbal effusions of this kind about trying to prevent it.

So long as struggle is the means by which men and nations exist, nations will fight. The human family had been fighting for millions of years before it had any mind at all—some of them have not very much yet—and to assume that it was their minds which made them fight is nothing but an absurdity. I think it is just hypocritical for us to hold to lofty verbal peace objectives, as we are doing here if we subscribe to this agreement, while we have already committed this nation to the conflict method of existence. To-day this nation stands for free private enterprise, which is the conflict system, the tooth and claw method, the struggle for existence, the mere animalism and junglism of history.

Mr. MUTCH: Get out of the jungle.

Mr. IRVINE: My hon. friend has not got out of it yet. We have committed ourselves to that. That is what this nation stands for, and if every other nation stands for it there

is going to be conflict. I do not care what kind of minds people have, nor do I care what is in them, if there is a scarcity of anything in any nation in a world of conflict, where only by conflict they can exist, then war will most certainly come. Therefore the very basis of any hope of the future peace of the world must be in so arranging the essentials of our human life on a cooperative basis that man will be able to live without killing somebody else in order to do it. No amount of education, whatever that education may be, will remove the facts. You may educate this nation, if that be possible, to believe that the stars began in the human mind, that the moon is merely the creation of the human mind, and then say if you could abolish that idea in the human mind you would abolish the moon and the stars; but you will not. It may be possible to induce the human mind to think it is just man's mind that wants to fight and make war. No doubt the desire to fight can be stimulated by education when the cause for war is already operating, but if the real cause is not there, then man will not fight.

The only alternative to a conflict economy is a cooperative economy, and that is the thing which is lacking. It has been deplored that Russia has not joined this organization. There is enough nonsense in the first sentence to prevent Russia from joining, and it should prevent us from joining if it was taken seriously, which I hope we shall not do.

If we are to further education and science in the international field, we must do more than merely pass resolutions. I have already pointed out what is to me a hypocritical position when we further an economy which makes war inevitable and pass or endorse agreements which stand for the abolition of it. Education, scientific research and so forth have values, great values and they, as I said at the outset, may be furthered by international action. To the extent that they may be furthered I am for this agreement. But there is no use in passing this even for that purpose unless the government will commit itself to carry out its share of the bargain. That means it has to set up the machinery necessary to further education and science on the international plane. So far as I can recall, in his remarks the minister did not commit the government to the immediate carrying out of articles 4 and 8 of the agreement, for instance, as we have them here. Unless that is done, nothing will be done. Article 4 provides:

> The general conference shall consist of the representatives of the states members of the organization. The government of each member state shall appoint not more than five delegates, who shall be selected after consultation with the national commission, if established, or with educational, scientific, and cultural bodies.

I should like to press the minister to give this parliament the assurance that on the endorsation of this document the government will take the necessary steps immediately to fulfil its obligations as contained in article 4, and carry them out according to articles 7 and 8.

Mr. GORDON GRAYDON (Peel): I was very much interested in the references to the preamble of the constitution, by the last two speakers in particular, who took some exception to it. They devoted considerable time—and perhaps they are right—in, an endeavour to refute the argument that "since wars begin in the minds of men, it is in the minds of men that the defences of peace must be constructed". I was a little surprised to find that some of the arguments against the inclusion of that language, to which I think one hon. gentleman referred as nonsense, came from a speech of the socialist Prime Minister of Great Britain, who in the course of his remarks at the plenary session of the united nations educational, scientific and cultural organization used exactly those words: "Wars begin in the minds of men." Apparently the influence of the Prime Minister of Great Britain was felt so strongly at the meeting which finally drew up the constitution that those words were placed in the very beginning of the preamble to which hon. gentlemen to my left have taken exception. I am not in a position particularly to discuss that aspect of it, but I thought perhaps this should be put on the record to show there are divergent views with respect to the matter.

I want to point out just one or two things in connection with the constitution that is before us, and one thing that strikes me as being perhaps the weak link in the whole UNESCO structure. That is the fact that three very important and powerful members of the united nations not only did not participate in the final signing of the constitution, as hon. gentlemen on both sides of the house have pointed out, but as far as my information goes did not even accept the invitation to attend the meetings of the united nations conference for the establishment of an educational, scientific and cultural organization. Those three nations are the Union of Soviet Socialist Republics, the Ukraine and Byelo-Russia.

Whatever may be said with respect to the necessity for organizations of this kind, I do not rise this afternoon for the purpose of

throwing cold water upon any plan which in the final analysis may make some contribution to world peace and international security. I take the view that as a Canadian parliament we cannot put ourselves in the position of placing obstacles in the way of better international understanding. It may be that many of these organizations have their weaknesses. I believe they have, and I think that is so right fom the top international organization down to and including some of its lesser component parts. Nevertheless we have to consider international problems from a much wider viewpoint. I have always felt, and I think it is the opinion of this house, that San Francisco, the general assembly, the security council, the economic and social council and the other organizations connected with UNO at least go this far; at least they provide a table under which the nations of the world may put their fact and talk things over instead of shouldering rifles and going to war to fight it out. Surely that is a factor we must not overlook in deciding whether to play our part in the various organizations set up for the purpose of achieving the objective of international peace and security. While this organization itself has obvious weaknesses, nevertheless I think we can still say it is a step in the right direction, even if it is but a halting step; and we must take that halting step in the interests of world peace.

One of the problems the nations of the world face to-day is that of seeing that the major powers, particularly, find some basis for collaboration. It is not enough to bring together dozens of little powers throughout the world and have them collaborate. They all have their rights, and no one would be more anxious to champion those rights than I. But when one appreciates that something over eighty-five per cent of the war potential of the world, the power to wage war, rests in the hands of three nations, then I think one gets the picture in proper perspective and sees what we have to do in order to achieve a system of world security for the days that lie ahead. The weakness of this organization will be admitted, I am sure, even by those who are its greatest proponents and advocates. When one of those three great powers is out of the organization, together with two republics which are within its geographical boundary, we start this race with only one leg, and we have something less than a proper launching of an organization of the kind. I think the weakness of the old league of nations arose from a similar situation, because one of the great powers was unable to see its way clear to play the full part it normally would play in any great association of powers. But in any of these organizations where one of the major powers decides to stay out, and not only does not sign but does not attend and does not subscribe to the purposes and objectives of the organization, it will be seen at once where the weakness of such organizations must lie.

One of the great means of education in the world to-day is the press. Whatever weaknesses some people may think it has, let me say that without a free press throughout the world it is difficult to have democracy functioning as it should. If we were to take the free press from Canada, inside of six months we would not have an effective democratic system functioning. Those avenues for the dissemination of information, the press and the radio, and other means of communication, are the means of keeping together the thoughts of the people of our nation, and of correlating their efforts with those who sit in parliaments or on other representative bodies. I think there is little use at the moment in holding out more than the laudable objective of world government. I am one who hopes it may come. But I believe the basis of it must be laid on the foundation of a free and untrammelled press and radio throughout the world. These are the important components in the success of any kind of government; surely we cannot afford to ignore them in the formation of a world government.

In UNESCO we find a move to correlate, even to form a clearing house for and to advance and promote where we can, the educational, scientific and cultural talents of various nations. It is an effort to make a world in which we can live as good neighbours, and a medium through which we can impart to our neighbours any influence we may have or contribution we can make in these fields, while at the same time receiving from them the advantage of types of education and other knowledge more familiar to them.

The weakness of the organization in my view—and I am sure the minister will be the first to agree with me—is that for some reason, whatever it may be, a great and major power in the world has seen fit not to endorse the principle of or to participate in the UNESCO organization.

In our approach to international problems I believe our people ought to understand that we should not place these new organizations and new movements on a pedestal so high that, once these agreements are on paper, the people may think that peace has been achieved once and for all. The objectives of peace are not achieved simply by what is written on

paper. The answer to this is found in what the great powers will do in relation to this subject. The answer to peace or war depends largely, if not altogether, not necessarily upon the education of the world at large, but rather upon the ability and capacity and willingness —this last being the most important—of the three major powers to get along together in peace and harmony in the days which lie ahead. That, in a nutshell, is the problem of world peace. It seems to me we can put it boldly and concisely by saying that if the big powers stick together we shall have peace and, conversely, if they do not, anything may happen.

This is why I have risen this afternoon to say a word about this organization which does not embrace all of the three powers to which I have referred. I support the position taken by the government in asking parliament to accept the constitution. I believe it is a step in the right direction, but at the same time I am pointing out the definite weaknesses inherent in that constitution.

Mr. NORMAN JAQUES (Wetaskiwin): Mr. Speaker, I had not intended saying anything, but I am moved to do so from what I have heard in the last half-hour I have been in the house.

This resolution deals with the establishment of an educational, scientific and cultural organization. I ask myself this question: to what example of the past are we to look for future educational, scientific and cultural standards? Are we to take the so-called education which in fact has been pure propaganda not only in this country but in Great Britain and the United States? Is the propaganda which has poured from the United States in the last several years to be the basis of the world's cultural education?

Who is to say what the world is to be taught? In this connection I would refer to a man whose name has been mentioned recently in the house. I refer to Doctor Chisholm, who has publicly denied the existence of right and wrong, who has openly sneered at Christianity and particularly at our Christmas. Having done that he is considered a great man and has been given one of the leading positions in a world organization. I wonder if he had sneered at a religious festival such as the Passover whether he would have been given that world job. I rather think not. There would have been no reward for him then. Evidently, however, he knew that a passport to one of these world jobs is to sneer at Christianity. That seems to be the fashion these days, and if one does not do it one is either a fascist or anti-Semitic.

In the matter of bringing peace through the united nations, only yesterday I referred to the treatment of Argentina at San Francisco. Was that the way to promote peace in the world? I was glad to hear the Speaker read out a message of felicitation from the Argentine parliament a few minutes after I made that protest, and we replied to it in like manner.

Then there is Spain. The very people who are behind all this international stuff are those who are demanding another civil war in Spain. For what purpose? To tear down one dictator in order to set up another. There is no suggestion that the Spanish people should be allowed to choose their own government. The whole agitation behind this promotion of another war in Spain is communistic, and nothing else.

Who are these people who presume to teach the world what its moral and cultural behaviour in the future should be? What is their record? What have they ever said or done to justify our putting trust in them for the future cultural progress of the world? Who are these self-styled educationalists? I have in my hand a copy of the report of the committee of congress on un-American activities, issued by the United States government printing office, Washington, in 1946. Let me give the house a sample of this cultural education. I should like to quote from a document which was issued by the war department of the United States during the war for the education of the armed forces. The report reads:

> Some elements in the war department erred seriously when they tried to force down the throats of American soldiers Army Talk—Orientation Fact Sheet No. 64, War Department, Washington, D.C., March 24, 1945, "Restricted." This document was circulated to instructors and was not intended for direct reading by the enlisted men.

I shall not read all of it, but I want to make a few points. It continues:

> There is a long discussion concerning the question, "How can we identify native American fascists at work." To summarize this discussion it is sufficient to say that the war department sought to teach that any person who claimed to be any one or all of the following was a fascist, or was likely to become a fascist very shortly: "100 per cent American, anti-Jew, anti-negro, anti-labour, anti-foreign born, anti-Catholic."

Then it goes on to say:

> One of the most astonishing themes in this eight-page document of Red poison is the suggestion that any native-born person who claims to be 100 per cent American is either a fascist or is likely to become one very shortly. In the entire discussion, occupying eight closely printed pages, there is not one word against communism or Soviet military dictatorship. On the con-

trary, the last two pages are filled with material designed to transmit propaganda favourable to communism and military dictatorship.

This so-called indoctrination course was, and will remain as, one of the dirtiest blots on the history of the war department. We cannot overlook the fact that certain persons of authority, and even at the very top, knew that such an educational programme was in progress, and very little was done to correct the situation.

Is that the sort of teaching that is considered suitable for the cultural advancement of the world? So far as I have been able to learn, all these internationalists are totalitarians at heart, and it is they who are behind this concentration of the control of health, education and everything else.

Mr. STEWART (Winnipeg North): Hear, hear!

Mr. JAQUES: "Hear, hear", says somebody. Who is that internationalist? I have a pretty good idea. Who does the hon. member think constitutes this international authority? We are not in Moscow or Jerusalem. I would advise the hon. member that Jerusalem would be a good place for him to go. In my opinion all this centralization of control, first of all in the dominion and then in the world, is the greatest threat that the world faces to-day. We did not fight the war to bring about a world dictatorship or a world government. As I understood it, we fought the war to destroy the man who had that very idea. If that is what we wanted to do then I cannot see why we wasted all the blood and treasure we did in putting down one dictatorship only to set up another.

I know very well that anything I say will not stop the government. As I said the other day, there is no question about the working partnership between the C.C.F. group and the Liberal party and also with the communist party and the Labour Progressive party. They are all going the same way. All the experts of the Liberal government were trained in the socialist London school of economics.

I cannot endorse this idea at all. Not that it will have much effect, but it will give me some satisfaction to register the strongest possible objection to this and all such schemes. If every country would mind its own business then there would be some hope of peace in the world. People say that war is born in the minds of the people; if so, it is born in the minds of those who preach that there is no such thing as right or wrong. I do not know what is going to come out of these schemes but more evil, leading to more bloodshed and more war.

Motion agreed to.

[Mr. Jaques.]

FLOUR

SHIPMENTS TO ECUADOR—QUESTION OF RESTRICTIONS ON EXPORT

On the orders of the day:

Hon. J. A. MacKINNON (Minister of Trade and Commerce): Yesterday the hon. member for Calgary West (Mr. Smith) asked me a question with regard to the export of flour from Lethbridge, Alberta, to Ecuador, and I told him I would give him an answer later.

Canada has a number of flour markets which she has traditionally served. Ecuador is one. In 1935 we shipped 12,773 barrels; in 1936, 17,511 barrels, and in 1937, 10,431 barrels. In keeping with the general policy of sending as much foodstuffs as possible to the United Kingdom, UNRRA, and the distressed areas, shipments to other markets have been drastically reduced. Thus, in 1945 we shipped only 5,597 barrels to Ecuador and shipments so far this year have been at approximately the same rate. The aggregate of shipments to South and Central America is insignificant in relation to the total wheat and flour production; but distribution to a few old customers and some new ones, it is hoped, will make possible the holding of existing markets and gaining a small foothold in some new ones that will be of inestimable value to the whole of Canada in the future. Furthermore, if we were to stop shipments altogether, the people of Ecuador would simply be driven to other sources of supply—it would not increase the world supply—and Canada would simply be taking on a larger share of relief shipments, while other countries took the commercial business that has future prospects.

Personally I welcome the information that Alberta mills are getting into this new export field.

INQUIRY AS TO INCREASE IN DOMESTIC QUOTA

On the orders of the day:

Mr. G. K. FRASER (Peterborough West): Mr. Speaker, I should like to direct a question to the parliamentary assistant to the Minister of Finance. Since shipping space for flour is very much limited at the present time and the future not too bright, and since this year's wheat harvest is now moving and the flour mills in Canada are operating at full capacity, will the government consider increasing the present domestic flour quota so that Canadian bakers can take care of the present bread shortage and the flour mills be kept going to normal capacity?

Mr. R. W. MAYHEW (Parliamentary Assistant to the Minister of Finance): The present quota on flour restricts only the sale

of flour for domestic consumption. It does not curtail the millers' production and sale of flour. There is a demand abroad for all the flour that Canadian mills can possibly produce. I will bring my hon. friend's question to the attention of the minister. To carry out his suggestion would involve a change in government policy. I am sure that the people in Canada would regret any action taken that would restore to last year's consumption the ten per cent by which it was reduced some time ago, particularly in these days when Great Britain has had to ration still further bread in that country.

Mr. FRASER: The reason I asked the question was that there is not sufficient shipping space available at the present time and the flour mills have had their shipping permits cancelled.

RURAL MAIL

INQUIRY AS TO SITUATION WITH RESPECT TO WAR BONUS TO CARRIERS

On the orders of the day:

Mr. H. O. WHITE (Middlesex East): Mr. Speaker, I should like to direct a question to the Postmaster General. In view of notices being forwarded to rural mail carriers in Middlesex county that the wartime bonus will be discontinued on February 15, 1947, will the minister inform the house of the position of these and other carriers with respect to bonus? Second, will this action not result, in the final analysis, in higher costs to the Post Office Department? We all realize that the rural mail carriers are underpaid.

Hon. ERNEST BERTRAND (Postmaster General): Mr. Speaker, the hon. gentleman was good enough to send me notice of his question. Of course everybody knows that the war bonus can last only so long as there is a law giving us authority to pay it. The war bonus was supposed to terminate on December 31 next. I think it is well understood that if as and when the emergency bill is passed the government will pay the bonus for sixty days only after the commencement of the next session. We have asked our officials to cancel these notices because we want to continue the war bonus until the end of the sixty days after the commencement of the next session. In the meantime we are trying to find a way to correct the situation and renew these contracts so that the carriers will receive what they are now receiving, including the bonus.

CANADIAN NATIONAL RAILWAYS

PROVISION TO MEET CERTAIN EXPENDITURES AND GUARANTEE OF SECURITIES AND INDEBTEDNESS

Mr. R. W. MAYHEW (Parliamentary Assistant to the Minister of Finance) moved the second reading of bill No. 346, to authorize the provision of moneys to meet certain capital expenditures made and capital indebtedness incurred by the Canadian National Railways system during the calendar year 1946, and to authorized the guarantee by His Majesty of certain securities to be issued by the Canadian National Railway Company.

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

On section 1—Short title.

Mr. JACKMAN: One of the items included in this budget of the Canadian National Railways is $7,000,000 for the acquisition of the railway under lease at the present time to the Canadian National Railways in Manitoba. While it might appear on the surface that there is a net gain to the Canadian National Railways and, therefore, to the government in taking over that railway, I should like to ask the minister about a certain aspect of it.

It appears that the annual rental of this property is $300,000 and that the lease continues for the unexpired portion of 999 years. If this deal is made by the payment of $7,000,000 to the lessor company there would be an outlay at three per cent, which would be a fair rate, of $210,000, making an apparent saving of $90,000 per annum to the Canadian National railway system. But may I suggest to the minister that if the lessor railway which receives the $300,000 from the Canadian National Railways is subject to tax at the ordinary corporation rate of forty per cent, the tax would be $120,000, and while the Canadian National Railways would not get that money, the government would, which for the purposes of the argument is the same thing. That would mean a net out-of-pocket expense to the people of Canada of $300,000, less $120,000, or $180,000, which would be considerably less than the $210,000, which represents the service charge at three per cent on the proposed cost or outlay of $7,000,000. Would the minister be good enough to answer that question? May I also say at the same time that the leader of the C.C.F. party, who is not very well versed in financial matters, judging from—

Mr. CASTLEDEN: That is only a matter of opinion.

Mr. JACKMAN: I am very glad to have the hon. member suggest that it is a matter of opinion, because I think the facts which I shall put before the committee will clarify the statement I made. As I suggested, the hon. member for Rosetown-Biggar is not very well versed in some of these matters. He suggested that payment of rental for a property over a period of 999 years would amount to some $85 or $86 million, and that this very nearly insulted the intelligence of parliament. I was not so much surprised at that, but I was a little surprised and shocked when I heard the Minister of Transport corroborate those remarks and say it was quite true that the capitalization of these rental payments over the long unexpired period of the lease, to quote his words, "almost insults the intelligence of parliament." If he feels that money is barren and, therefore, cannot breed, which was the theory held by some economists five or six centuries ago, I would suggest to him that something should be done, or why is he not doing something, about the perpetual bonds which still exist on the Canadian National system? I would direct his attention to page 21 of the annual report of the Canadian National Railways, where the funded debt is set out in detail, and we find that some $8·3 million of securities of the system are guaranteed by the dominion government and are perpetual. Then on page 22 there is another $5·7 million of funded debt of the system which has no maturity and is perpetual. If the theory of the hon. member for Rosetown-Biggar and of the minister, who concurs in it so readily, is true, that it is a colossal mistake to pay an annual service charge rather than to pay an out-of-pocket expense, the interest charges on which, I may say, will have to be met annually until the principal is repaid, how does he justify the continuance of these perpetual securities on the Canadian National system?

Mr. CHEVRIER: I am sorry that the hon. member for Rosedale was not in the house when the bill having to do with the purchase of the Manitoba railway was discussed, because if he had been here he could then have given us the benefit of his remarks and, perhaps, have had it out with the leader of the C.C.F. party. The acquisition of the Manitoba railway by the Canadian National railways is, I submit to the committee, as I did before, an excellent thing from the financial point of view. The hon. member who has just spoken is a member also of the committee on railways and shipping. He therefore had an opportunity of examining the president of the Canadian National Railways on this very subject. He has, as is his right, the opportunity now of asking questions on it. One has only to go back to the discussion which took place when the bill was being considered to realize that there is a saving not only to the Canadian National Railways but to this country of $90,000 by the acquisition of that road. I think the only matter which seems to have bothered the hon. gentleman, both in committee and here, is the question of taxation, as to whether the country would stand to lose from the fact that this revenue of $300,000 a year by way of rental was taxable to the federal government. I told the hon. gentleman in committee that I would obtain from the Minister of National Revenue a statement on it. When the bill with reference to the purchase of the Manitoba railway was discussed in committee I had the statement. I have not it now before me, but the gist of it is that there is no loss to the Department of National Revenue and to the country from the point of view of taxation. The reasons given were outlined in that letter, and I would be glad to show it to the hon. gentleman at any time he cares to see it.

The hon. member refers to the question of perpetual bonds as it is set out on page 21 of the annual report of the Canadian National Railways, and asks why it is that the minister does not do something about it. All I can tell him is this, that the bonds are perpetual and secured, and he, being a financier of great experience, will realize, I am sure, that there is not a great deal that the house or the minister can do about that.

Mr. JACKMAN: I am not asking the minister why he does not do something about it from the point of view of bettering the position of the railway or the country. But I find at page 2818 of *Hansard* where the minister said as follows:

> The hon. member for Rosetown-Biggar raised a pertinent point when he said that this almost insults the intelligence of parliament.

Namely, paying out an annual rental which, if you multiply it over the period of 999 years, amounts to a colossal sum.

The ACTING CHAIRMAN (Mr. Golding): Order. It is not in order to refer to what took place in a previous debate this session.

Mr. JACKMAN: I am through referring to it, sir, and I only did so to be accurate in my statement; I would not care to misquote the minister. If the country is very much worse off because a lease is for 999 years and it must pay the annual rental, how much worse off must the country be if there is no maturity

whatever, if it is ad infinitum as being an uncallable security of the kind I have mentioned? I am merely pointing this out as a fallacy in the argument of the leader of the C.C.F. which was endorsed by the minister himself.

Mr. CHEVRIER: I have to interrupt the hon. gentleman on that point. As the chairman says, this is not in order, but the hon. member has placed a statement on record, and I am sure I cannot allow him to put into my mouth words which were not stated or at least are not in point having regard to the context. The discussion at the time which was had between myself and the leader of the C.C.F. party had to do with the improvidence of 999 year leases; and I repeat now what I said then, that leases of that kind are improvident to a degree, and that I do not think leases for 999 years would be entered into to-day. I was asked the question whether I had drawn any myself or whether, again, it had been the practice of lawyers to enter into them on behalf of clients, and I said that I knew of some but that there were none that I had drawn up. That discussion had to do with the agreements and not with the financial aspect of the bill that was under consideration.

Mr. JACKMAN: All I am suggesting—

The ACTING CHAIRMAN (Mr. Golding): Order. I hope the hon. member will not refer to speeches which have already been made in this house. It is entirely out of order. It only repeats what has taken place before, and prevents progress being made.

Mr. JACKMAN: Mr. Chairman, the opinion expressed by the minister then was that it was improvident to make a lease for 999 years. What I am suggesting is that in the capital structure of the Canadian National Railway system, for which we are now appropriating money, it is a fact that the system is losing money, which is tantamount to property, not for 999 years but in perpetuity. If there were arguments against leasing for the lesser period, surely there are equally strong, if not stronger, arguments against leasing without any maturity whatsoever.

Mr. CASTLEDEN: That is agreed.

Mr. CHEVRIER: If my hon. friend will look at page 21 of the annual report he will see that the debentures to which he refers were issued in 1858, 1876 and 1883. Certainly they are not for 999 years.

Mr. JACKMAN: I cannot allow the minister to refute my argument as unsound. I do not care when these perpetuals were issued; they are issued in perpetuity; but if the minister believes that his argument or the argument of the hon. member for Rosetown-Biggar is sound, then he can buy in these perpetuals because people are quite willing to sell them at a fairly reasonable premium over the par value. I am suggesting that the argument put forward is unsound, and I contend that it is unsound.

Mr. CHURCH: As a real public ownership man the bill is a surprise to me in some ways. The Canadian National railway organization represents a consolidation of a number of systems, subsidiaries and other agencies on land, on the sea and in the air, and the hotel system. Many other subsidiaries were consolidated. In reality the system was not a real public ownership organization. It was founded on the mistakes made all over the country by private ownership in a financial way and the road was taken over by the government. There was a survey made and a report on railways brought forward in 1917 by the Drayton-Acworth report—regarding a method of financing the system, and as to guarantees which have become fabulous and a heavy drain on the country in the way of federal subsidies. The survey was made in 1917, and the Drayton-Acworth report issued on over capitalization of 40,000 miles of single track roads of this system and also 42,000 miles of single track roads of the other efficient privately owned system. The heavy overcapitalization laid a severe debt for the Canadian National on this country. Then the former separate Canadian National parts came to the provinces with this method of financing of capital and asked for guarantees from the provinces. Sections 1 and 2 should be taken together since they are both the same thing.

I wish to point out that some of these old securities go back to 1931. The marginal notes and headlines are part of the bill. You have to read the marginal notes as well as the headlines and sections of the bill. The second section of the bill refers to $7,000,000 for acquisition of the Manitoba railway. That road is as old as the hills. Then there is a section which gives the Minister of Finance power to make temporary loans, such as notes, bonds, loans, debentures, for capital expenditures, in regard to current indebtedness. In my opinion, such finance has been attacked severely in the report to which I refer. The present company has done well during the war. It gave good service, but the employees are not treated in the way that they should be. You and I, Mr. Chairman, travel on the system, and we know that some of these old, reliable employees have to work sixteen, seventeen and eighteen hours a day, moving from

Halifax the forces returning home from Europe. They should receive a bonus or some allowance for war work. It is not ownership such as the provincial hydro and the municipal hydro systems which treat their employees in a fair way for overtime and give them better labour conditions, such as train crews should have in demobilization.

This bill should have been considered by the select committee on railway and shipping or by some other committee on finances. It is a legal bill as well. Bill No. 346 consolidates the method of financing and it refers to $22,000,000. This amount should have been paid out of earnings. In a system like this, some provision should be made for paying out of earnings a lot of this for operating renewals on terminals, equipment, overhauling of cars and things of that kind, of a temporary and permanent nature not suitable for capital charges. That might have been provided out of earnings. The trouble with the system is that we have a lot of directors who do not direct, and some of them have no knowledge of railways or their operation. They are selected as directors for geographical and political reasons and not for public ownership reasons. There is no public ownership man I know of, connected with the road. I have supported this principle for many, many years. First of all, they moved their offices to Montreal. Ontario was the public ownership province. That is where the consolidated road made most of its earnings. We have very little to say in it at all. Then there is an additional amount asked for additions and betterments, retirement of maturing capital obligations and so forth. There is an item of $8,000,000 for new equipment. Very little of that comes to Canada. The United States affiliations are getting it, or most of it. A curious thing is that the United States affiliations and subsidiaries of this system are phenomenal for new equipment and betterments; they are almost equal to the system in the empire state express trains. During the war they did not get much out of the old chair system of better cars by day, all reserved for a small charge. You could travel on the American railway system thus during the war. If so, in Canada, you could have travelled on the three or four o'clock train for Montreal or Ottawa where they used to run chair cars, but they did not have any in war time, with the result that the trains were crowded.

There are many other matters that I should like to discuss, but I have just about finished. In my opinion the method of financing is all wrong. More should be paid for out of income. The auditor general, and not just a private auditor, should have some control over the system. I have no doubt that better work would be thus done by the auditor general. All kinds of commissions are appointed, but during the session we have no control over them. Then, references are made to the committee and nobody can ask any questions about it. In the dying days of parliament we get this bill or a report of a committee on this great national system on which this country has spent hundreds of millions of dollars, on land and sea, in the air, and the hotel system at large, and we have no control over it. In my opinion we need a revision of our rules. I have read the reports of the railways and shipping committee. They smoke good cigars there, no doubt, and ask many questions, but it is no proper review of such a vast enterprise. The very first thing is a proper examination of the budget of hundreds of millions of dollars of this system and all its branches. No department or business would think of doing business with only a cursory examination by a select committee. I compliment the young minister because he has shown a great deal of zeal, and courtesy to private members and others, and he is always willing to answer letters or questions and give any information he can; but I wish to point out to him that Ontario, where they are making most of the revenue, is not getting its fair share of the betterments, equipment and the other matters regarding refinancing. Section 2 refers to $17,500,000 available from reserves for depreciation and debt discount amortization. Then there is $7,000,000 for the acquisition of the Manitoba railway. You will find, refunding bonds on a dollar parity, will cause trouble, and you will experience a lot of difficulty in that connection. This is not a very good time to go into the United States market. I believe if we had some other system of financing and more betterments out of revenue the people would get better value for their money. I travel on the trains and I tell the committee that the rolling stock and equipment in Ontario could be improved.

We want a real public ownership system for that public ownership province. I believe that the minister has been giving public ownership a fair trial since he has been in the department. I do say that more money should be paid out of earnings for all these minor repairs and maintenance charges. A lot of it could be paid out of earnings instead of its being charged up to capital, making vast refunding necessary.

Mr. FULTON: Yesterday afternoon I asked the minister certain questions and he said the answers were all to be found in the annual report of last year's operation. I did not have the annual report before me at the time, although I could not recall seeing the answers in it. I have since obtained a copy, and I find that all the answers are not contained in the annual report, particularly the answer as to how much the Canadian National Railways have paid into the consolidated revenue fund during the war years by way of surplus. That information is probably not avaliable at the moment, because it goes back over several years, but I should appreciate an answer to that question.

The reason I ask it is this. Yesterday I made the general suggestion that it seemed to me that, instead of being used to write down deficits piled up in previous years from interest on bond issues, these surpluses should be used to redeem the bond issues, so that the capital indebtedness of the company could be reduced and it might have a better chance of showing a profit. On page 8 of the report for last year it is stated as a general proposition, under the heading of finance, that during the year the funded debt was reduced by $56,273,-908. Then, if you look for the details under the heading of "funded debt retirements", you find that two issues, one for $20,500,000 and one for $30,000,000, were retired. If you look down under "new government loans", however, you find that the company had to borrow $51,000,000 from the government to retire these issues, so that in effect the indebtedness of the railway has not been reduced at all by that transaction. Further, they go on to point out that there was a net reduction in funded debt of just over $27,000,000. I have been trying to find out where that money came from, because if you look at the first page of the consolidated income account for 1945 it would appear that the surplus available was $24,000,000. I should have thought that surplus would be used to pay off some of the bonds, but I see they say there has been a net reduction in the funded debt of $27,000,000. Admittedly I am not an expert, and unfortunately I am not a member of the railway committee, so that I would appreciate it if someone would show me how to find my way around this statement. I should like also to be told what happens to the surpluses which are paid into the consolidated revenue fund.

Mr. MAYHEW: The hon. member for Kamloops asked three questions yesterday, to which the minister replied that the answers could be found in the annual report of the Canadian National Railways. The first question was as to the amount of bonds owned by the public and the amount owned by the government.

Mr. FULTON: That is in here; I found it.

Mr. MAYHEW: I shall give it to the committee anyway. The amount owned by the public is $573,179,988, and the amount owned by the government is $674,201,603. The surplus earned by the railway from 1941 to 1945 inclusive was $112,000,000, and that surplus was used for the reduction of government loans.

Section agreed to.

Sections 2 to 8 inclusive agreed to.

Title agreed to.

Bill reported, read the third time and passed.

WAR CRIMES

REENACTMENT OF REGULATIONS MADE BY ORDER IN COUNCIL

Right Hon. L. S. ST. LAURENT (Acting Prime Minister) moved the second reading of bill No. 309, respecting war crimes.

Mr. GORDON GRAYDON (Peel): I am not familiar with the discussion that took place previously with respect to this bill, nor am I aware whether any detailed explanation has been given as to its purposes, objects and so on. At this stage, however, perhaps the minister might give a comprehensive review of the circumstances that led up to the necessity of having this measure brought in, and also what the measure proposes to do.

Mr. ST. LAURENT: This matter was fully gone into by the committee on external affairs. The statement made there, which I shall briefly repeat here, was along the following lines.

It was felt that His Excellency the Governor General, as commander in chief of the Canadian armies, has the right to take such measures for the conduct of war, when Canada is engaged in war, as the circumstances may require. It was also felt that it was part of his rights and responsibilities to delegate his powers as commander in chief to persons selected by him on the advice of his ministers; and that the commander of the Canadian army would have the right to take such measures as might be proper to deal with those who rendered themselves guilty of breaches of the usages of war. Persons had been apprehended who were charged with having committed war crimes against members of the Canadian forces, and the question arose as to how they would be dealt with.

A similar question arose in the United Kingdom. There, by royal warrant under the sign manual of the sovereign, a war crimes court was set up to deal with offenders against members of the forces of the United Kingdom. This royal warrant seems to have been issued by His Majesty on the advice of one of his ministers. When the question arose here, the practice of royal warrants never having been adopted in this country, an order in council was passed to set up an authority to deal with those who had been apprehended and charged with offences contrary to the usages of war, committed against personnel belonging to the Canadian forces; and the order in council determined, much along the lines of the regulations approved by the royal warrant, the procedure to be followed.

In drafting the order in council reference was made to the War Measures Act. Shortly after it had been passed, a question was submitted to the Department of Justice for opinion, as to whether regulations made by this order in council were sufficient to enable penalties exceeding five years' imprisonment to be imposed. The officials of the Department of Justice went into the matter carefully and came to the conclusion that it was quite unnecessary and a surplusage to have had a reference to the War Measures Act in the order in council, and that even it would have been preferable, if it were mentioned at all, to mention it only as one of the statutory sources from which authority to make the regulations was derived; and that without any reference to the War Measures Act the regulations could be properly made by the governor general on the advice, perhaps of even only one minister, but certainly on the advice of council.

There have been imposed sentences exceeding five years, and one of those sentences is being served now in a Canadian penitentiary by a German officer who had been apprehended, tried and convicted. There appeared, moreover, that there might be occasion to use these regulations beyond the time when the War Measures Act would operate. For that reason, and also to remove any possibility of doubt as to the validity, and continuing validity, of the sentences imposed, it was felt that it would be advisable to have the regulations which were made under the order in council reenacted by parliament. This bill is for the purpose of reenacting those regulations, although not necessarily as permanent legislation because, in spite of the gloomy picture international affairs sometimes present, it is not the policy of the government at this time to envisage the necessity of maintaining legislation of this kind as permanent legislation.

It was, however, felt that it would be difficult to assign any specific date when it would be proper for the regulations to come to an end. So that the bill was drawn with the proviso that, if passed, it would continue in force until a day fixed by proclamation of the governor in council, and that from and after that date it would be deemed to be repealed. The reason for using the language "be deemed to be repealed" is that that brings into play the Interpretation Act, which provides that whenever a statute is repealed, whatever has been done under it, if properly done, remains valid as a proper application of the act while it was in force.

Mr. J. G. DIEFENBAKER (Lake Centre): Mr. Speaker, I consider this bill one of unusual importance in that for the first time, so far as the parliament of Canada is concerned, it is actually giving to a court the power to take judicial notice of the laws and usages of war, which provisions are incorporated in section 10 (6).

While the minister says this is to be only a temporary measure, having regard to the inclusion of the principles and usages of war this measure is a really important step on the part of Canada in the evolution and development of international law, and the recognition by parliament of international law.

The circumstances under which this matter was first brought up were these: Someone drafted the war crimes regulations. Certainly no one in the Department of Justice did it. They made specific reference to the fact that the power being exercised by the governor in council was on the recommendation of the Secretary of State for External Affairs, concurred in by the Minister of Justice and the Minister of National Defence, and under the authority of the War Measures Act.

In other words, while now the minister takes the view that these regulations were drafted as part and parcel of international law, or under the powers of His Majesty under royal warrant, the regulations provided that they were drafted entirely under the War Measures Act with the result—at least so I contended—that in view of the fact that penalties under the War Measures Act were restricted to five years or a fine of $2,000, no statute could grant to a subsidiary measure by way of order in council passed thereunder the power to impose a heavier penalty. Among others, Kurt Meyer, a prisoner in Dorchester penitentiary, might have made an application to the courts for

the purpose of determining that his imprisonment was illegal and, as a result, the doors of that penitentiary might have been opened, should the court find that an illegal sentence, beyond that provided for under the War Measures Act, had been imposed.

While the minister has said there was an opinion from the Department of Justice that such a possibility was not a probability. I would point out that in giving evidence on the matter before the committee on external affairs the deputy minister of justice said he had no doubt that a forceful argument could be made in support of the contention that I advanced to the contrary.

I think this is an important measure for two reasons: First, it will close the doors to the possibility of any war criminal, and Kurt Meyer in particular, being able to raise a defence now or hereafter that an illegal sentence has been imposed upon him; and, secondly, it represents I believe the first time a parliament in any country has taken upon itself the power to impose a penalty for the commission of an offence beyond the confines and territorial jurisdiction of that country. It is a new and unusual step, and one which I believe will be adopted generally in the enforecemnt of international law in years to come by other countries. In my opinion one of the reasons for the developments that led to the second war was the fact that those who committed aggression crimes and offences against the laws and usages of war during the first world war remained unpunished. In some quarters objection is being taken to the fact that war criminals were being proceeded against, this objection being based upon the ground that international law is not written law and that, that law not having been formally established, procedure against war criminals is in the nature of revenge. In order to keep the record clear in that regard, I should like to point out that on August 21, 1942, President Roosevelt, on behalf of the government of the United States, advised the enemy countries at that time that any military commanders or other leaders who committed criminal offences would be subject to punishment. His statement was approved on September 8, 1942, by Mr. Churchill on behalf of the British government when he said.

> I wish most particularly to identify the British government and the House of Commons with the solemn words which have been lately used by the President of the United States, namely, that those who are guilty of the nazi crimes will have to stand up before tribunals in every land where their atrocities have been committed in order that an indelible warning may be given to future ages and that successive generations of men may say, "So perish all who do the like again."

In this bill this house is taking a definite step forward in the development of international law which must be based upon international conscience, and founded upon the epitome of the idealism of all the peoples of the world possessed of an aroused conscience and appreciation of justice. The war trials do in the international field what has been accepted in the national field for many generations and assure that crimes committed by the great or their lieutenants in international wrongdoing shall be subject to punishment by the conscience and collective national will of states that have been offended against.

Usually I am opposed to retroactive legislation. However, I am sure that members on all sides of the house will accept this measure which ratifies what has been done and which assures that international wrongdoing shall not go unpunished. This measure maintains the rule of law in the international sphere. It assures that henceforth, as far as Canada is concerned, we inform the world that wrongdoing internationally will be subject to punishment when the nationals of this country are mistreated or are interfered with in their rights under international law.

The opening address of Mr. Justice Jackson of the United States in the case against the nazi war criminals may be of interest in this connection. He summarized the purpose of this bill in so far as the Canadian parliament is concerned when he used these words:

> Civilization asks whether law is so laggard as to be utterly helpless to deal with crimes of this magnitude by criminals of this order of importance. It does not expect that you can make war impossible. It does expect that your juridical action will put the forces of international law, its precepts, its prohibitions and, most of all, its sanctions, on the side of peace, so that men and women of good will in all countries may have "leave to live by no man's leave, underneath the law."

In introducing this measure, the Minister of Justice (Mr. St. Laurent) has done much to assure that Canada will give not only lip adherence to the principles of international law but that this parliament is prepared by its passage to announce to the nations all over the world that Canada accepts the great principles of international law, founded on justice, on conscience and on the abiding principles that activate man in his national relationships in civil life.

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

FEDERAL DISTRICT COMMISSION

PROVISION FOR ADDITIONAL COMMISSIONERS, TRANSFER OF CERTAIN JURISDICTION, AND GRANTING OF MONEY

Right Hon. L. S. ST. LAURENT (Acting Prime Minister) moved that the house go into committee to consider the following resolution:

That it is expedient to present a measure to amend the Federal District Commission Act, 1927, to provide for the appointment of fifteen commissioners (in lieu of ten), also for the transfer to the president of the privy council of certain jurisdiction over the commission and to provide further for the granting of moneys, by the payment of grants or otherwise, for the purposes of the commission.

Mr. FULTON: Is it the intention of the minister to make a statement and, if so, would he prefer to make it now or when we are in committee?

Mr. ST. LAURENT: I would prefer to make it in committee so that there will be an opportunity to ask questions.

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

Mr. ST. LAURENT: As hon. members are aware, the government has taken action to have plans begun for the development of the national capital area as a national war memorial. A large part of the work to be carried out in this connection will devolve upon the federal district commission. In addition, the commission will in the immediate future have a considerable increase in the work which it normally carries on in the capital area owing to the fact that much has had to be deferred during the war. The purpose of the proposed bill is to amend the Federal District Commission Act so as to enable the commission to discharge effectively the increased work which it will have to perform.

The bill provides for the appointment of five new members of the commission, bringing the total to fifteen rather than ten as at present. The joint committee of the Senate and House of Commons which examined problems relating to the national capital in 1944 and 1945, recommended such an increase in membership. It also recommended that the new members be residents of parts of Canada other than the vicinity of Ottawa and Hull. The reason for this is to ensure a national outlook in the work of the commission. This suggestion is embodied in the bill which will follow the adoption of this resolution.

Other terms of the bill provide for an adjustment of the grants to the commission and involve changes incidental to the transfer to the president of the privy council of jurisdiction over the federal district commission.

Under the act "minister" was defined to be the Minister of Public Works. It is now proposed that the commission shall operate under the president of the privy council, who at the present time happens to be also the Prime Minister. It is felt that the federal district commission, made up as it will be, if the bill carries, not only of representatives of the vicinity of Ottawa and Hull but of additional members from all over Canada, should be under the president of the privy council, who with the members of council represents the nation at large.

The provisions of the bill can be more conveniently studied after it has been distributed, and my suggestion would be that hon. members allow the resolution to be adopted and the bill given first reading. It has been printed and will be immediately available for distribution. The details provided for in the bill can be more conveniently discussed when hon. members have the proposed text before them.

Mr. THATCHER: Could the minister indicate roughly what amount the commission is likely to ask for during the current year?

Mr. ST. LAURENT: The bill will provide that the grant to the federal district commission, instead of $200,000 as heretofore, will be $300,000.

Mr. THATCHER: Is the main purpose of this legislation mainly to beautify Ottawa as was suggested in the throne speech either last session or this?

Mr. ST. LAURENT: This is not the whole project. The whole project has not yet been planned. Plans are now being prepared by and under the direction of Mr. Greber and are being discussed by him and his associates with the members of the federal district commission. The federal district commission has been in existence for a great many years and already has control and maintenance of the driveways and parks and many of the open spaces in the capital city. This is to provide a grant of $300,000 per annum instead of $200,000 for the furtherance of the work which has heretofore been carried on by the federal district commission and which will continue to be carried on if the bill passes and be proceeded with more extensively than in the past.

Mr. THATCHER: This legislation does not mean the moving of factories and other buildings such as has been suggested by the news-

papers? Nothing as extensive as that is proposed by the bill?

Mr. ST. LAURENT: No. The federal district commission has been from time to time acquiring property which it was felt would be required for the development of the driveways and parks system in Ottawa, but the bill does not provide for any grandiose scheme at this time.

Mr. REID: As one who has taken some interest in the federal district commission ever since I was appointed a member of the committee which was set up to investigate it, I have one suggestion to make to the minister. I am not sure whether it is contained in the bill.

A short time ago I wrote to the Prime Minister suggesting a scheme which I believe would result in a greater interest being taken in the federal district of Ottawa and in the national capital, and that was that each provincial government be asked to take a part in the beautification of Ottawa and have on the board a representative from each province. My own province, for instance, could beautify a certain portion of parliament hill or of Mackenzie avenue, and other provinces could do likewise. Most members when they first come here have a narrow viewpoint of Ottawa, being inclined to look upon it simply as Ottawa and not as the national capital. My membership on the committee certainly broadened my views, and since then I have looked at Ottawa from the national point of view. I have often asked myself how we could arouse a greater interest throughout the country in the development of Ottawa as the national capital, and I think one way would be to have the provinces improve and develop the grounds around the parliament buildings. My suggestion to the Prime Minister and to the Acting Prime Minister is that the scope of the bill be broadened so that each province may have a representative on the board. They would not need to meet more than about once a year.

I think everybody's attention was attracted this year by the grand display of tulips on the grounds in front of the parliament buildings. While it was stated that the tulip bulbs were a gift of good will by the people of Holland, the cold fact was that it was one of the best business displays that Holland ever made. I remember asking where the bulbs came from, and I was told that they were a gift from the people of Holland because they were so thankful for what Canada had done in the war. I investigated and found that Eire had received as many bulbs from Holland as we had, and I asked myself what help Eire had given to Holland during the war. The answer was nil. I later discovered that some twenty good salesmen had left Holland and had come to the North American continent and that eight countries had been given great quantities of these beautiful bulbs. In British Columbia we have an excellent bulb which for many years has been finding a market in Ottawa, and now we find ourselves faced with competition with bulbs grown more cheaply in Holland, which have been displayed here under the guise of a contribution of thankfulness from the people of Holland. The cold fact was that it was a straight business deal by salesmen from Holland. I am not finding fault with the salesmen for that, because everyone must admit that the tulips were beautiful, but I had a sinking feeling when I thought of our bulb growers in British Columbia and what they would be up against from that competition. So I suggest to the Acting Prime Minister that each province be represented on the commission to stimulate a national interest in the capital city. I know there are men in British Columbia who are prepared now to take a spot on the parliament building grounds and plant rose bushes and bulbs there, a display that would be known as British Columbia's, and similarly with the other provinces. I think the suggestion has a great deal of merit and would arouse an interest in all the provinces in the beautification of Ottawa and in making it a real national capital. Unless we bring the provinces in, in some way, by giving them direct representation on the federal commission and by encouraging our growers in the various provinces to see what they can do and take pride in the work, I doubt very much whether the scheme will expand as fast as the Prime Minister has in mind. Those are all the remarks I have to make at this stage. I would ask that consideration be given to the suggestions I have just outlined.

Mr. BRACKEN: The resolution before us anticipates a measure to amend the Federal District Commission Act. This act provides for the appropriation of money by the state for the improvement of certain sections of Ottawa and its environment. The amendment proposed anticipates on the part of the parliament of Canada the provision of increased amounts of money for the purpose of changing in some degree the original conception; it is for the purpose of making this vicinity a national war memorial. I am rising now to ask the minister if, when we go into

committee to deal with the bill itself, he will give us a brief statement as to what has been done by the state in connection with this project, when it was started, roughly what has been done, the expenditures from year to year from the beginning, in tabulated form, and what the national war memorial aspects of this proposal are likely to mean in the way of increased cost to the state. The minister has indicated that the annual appropriation in recent years has been $200,000 and that when the bill which follows this resolution passes it will be $300,000, or an increase of fifty per cent. One question he might answer now is this: is the appropriation for just one year, or is this another of those appropriation bills which tie us to an expenditure for an indefinite number of years? I rather gather that it is the latter. Perhaps the minister will answer that before six o'clock. But when we are dealing with this matter later I would ask him to let us know—and I am not raising the question in any critical way but only in order that members of parliament and the public may know—what the government has done, what it is doing, and what this proposal will require it to do in future in the way of expenditures. At this time perhaps he will mention whether the appropriation is to be for one year or whether it will tie us indefinitely to the enlarged grant of $300,000 a year, with, no doubt, the prospect of other increases later on.

Mr. ST. LAURENT: The bill will provide for an increase in the annual payment from $200,000 to $300,000 for a period not exceeding fifteen years from the 1st day of April, 1947.

Mr. THATCHER: With the principle of this bill I certainly agree. We do need a beautiful Ottawa. But I am glad that the bill is not contemplating at the present time the grandiose expenditures which the press has been talking about. Perhaps some time we shall have such a bill. I hope that if the government is planning to beautify Ottawa to the extent the newspapers are suggesting it will first look after irrigation in western Canada, because something like that is more necessary in this country than the beautification of Ottawa.

Some hon. MEMBERS: Order.

Mr. THATCHER: As far as I am concerned, before I vote for any large expenditures to beautify one city I want to see my own city get some water and western Canadian farmers receive a little protection from drought.

[Mr. Bracken.]

Resolution reported, read the second time and concurred in. Mr. St. Laurent thereupon moved for leave to introduce bill No. 357, to amend the Federal District Commission Act.

Motion agreed to and bill read the first time.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

SUPPLY

The house in committee of supply, Mr. Macdonald (Brantford City) in the chair.

POST OFFICE DEPARTMENT

259. Departmental administration, $1,175,465.

Hon. ERNEST BERTRAND (Postmaster General): I just wish to make a few brief remarks about the department. During the past year, notwithstanding the anticipated decrease in the volume of mail for overseas on account of the return of our men to their homes, the revenue of the department continued on the upward trend resulting in a further increase between the fiscal years 1944-45 and 1945-46 of over $4,000,000, bringing the revenue of the department to an all-time high of $83,763,000.

The greater part of the increase in revenue is due to additional postal business within Canada itself. The loss on account of the falling off in the number of parcels and letters sent to our troops overseas has been offset to some extent by the food and relief parcels which are now going forward to European countries in considerable quantity and on which, incidentally, the department makes no profit whatever, and also to increased trade with other countries.

During the war years, letter carriers in residentials districts were required to make only one delivery and staffs were adjusted accordingly. The two-trip service in these districts, however, has now been almost entirely resumed.

The larger revenue is a definite indication of an increased volume of mail to be handled and the handling of the larger quantity naturally requires more men.

I desire to assure the committee that the postal service is being operated economically and efficiently, but with due consideration for the standard of service which the public has a right to expect.

I have a tabulation of the twenty-four different items of revenue and expenditures, and to give a fair idea of the operations I must say that there is an increase in eighteen items and a decrease in six. Most of the increases are in revenue. I do not know whether hon. members would like to have certain details or not. I have spoken about the increase in foreign mail. As an example, the postage on parcels from other countries has increased $251,744, which is 59·4 per cent.

Mr. MacNICOL: Would the minister give the air mail?

Mr. BERTRAND (Laurier): We are not on that item, but if the hon. member wants it I shall give it to him. Air mail has decreased by $1,600,000; that is owing to the fact that this year the post office entered into a contract with Trans-Canada Air Lines and the rates have been changed. In other years we were paying so much a mile. It came down to forty cents a mile after having started at around sixty cents in 1937, which meant that we were paying for every mile that the plane flew. It was a good thing at the inception of a new line; but when we came to adjust the contract between the post office and Trans-Canada Air Lines, in virtue of which we pay per pound mile, we pay when there is mail and at so much per pound mile. Our contract is one and one-half mills per pound mile for this year; it is on a decreasing scale. In 1949 it will be nine-tenths of a mill per pound mile. Air mail has also decreased to a certain extent because we are not sending as many letters by air mail as we did during the war, but we expect an increase because we found that the big companies which wish to publicize their business are using the air mails to a great extent.

Mr. GRAYDON: In recent times have there been any changes in the high ranking men in the Post Office Department?

Mr. BERTRAND (Laurier): We are reorganizing the department. We used to have eight branches, but we found it necessary to reduce them to four because we wanted a better hold on the operation of the department. Of course we are asking for an increase for the higher officials. I must say also—perhaps the hon. member has that in his mind—that recently there has been an increase in the operation branch. The treasury board was generous enough to let us increase the salaries of our employees from $120 to $180 according to their grades.

Mr. GRAYDON: I rose for the purpose of giving the minister the opportunity of putting the name of his new deputy minister on the record. He has been behind the scenes for a good deal of the time and I thought perhaps the minister might wish to put his name on the record.

Mr. BERTRAND (Laurier): He was here last year and generally is well known around the premises, and has been for many years. Besides that, he is a man who comes from the post office.

Mr. REID: During the past number of years thousands and thousands of gift parcels have been sent by the people of Canada to the people of the old country. Considerable criticism has reached me, and the question they ask is, why is it that anyone sending parcels from Canada to Great Britain is charged twenty-eight cents a pound, while people in the United States can send parcels to Great Britain for fourteen cents a pound, just half what we pay in this country. Could the minister make a statement as to why we should pay twice as much to send a parcel practically the same distance?

Mr. BERTRAND (Laurier): On all these gift parcels we are sending to Europe we have a rate which includes the charge we make ourselves, an amount to pay for the transit of those parcels, a certain amount which England asks when they pass through that country, and, in addition the charge made by the receiving nation. I had occasion this session to give the details of some of these rates. We are charging a very reasonable rate ourselves, and if it were not for the transit charges, plus the charges made by the receiving nations, our rate would be about equal that of the United States, which has a direct line of communication with most of the European countries and so does not have to pay these transit charges.

Mr. REID: I am speaking about parcels going direct to Great Britain, for people in Great Britain. I am not speaking of parcels that go to Great Britain first and then on to the continent. I understand that our rate on parcels going to Britain is twice the United States rate.

Mr. BERTRAND (Laurier): I do not remember exactly what we are charging, but I know our charge for taking a parcel from anywhere in Canada and sending it to England is less than England is charging to receive that parcel. I gave the figures earlier this session. I do not know exactly why the United States would charge less, but those are the facts.

Mr. HACKETT: They might have a better rate in England than we have.

Mr. BERTRAND (Laurier): I do not know exactly; I would have to inquire.

Mr. MacNICOL: When these estimates were up last session the question of the salaries of the postal staff at the branch post offices came up. At that time I believe the minister intimated that the salaries of the letter carriers would be increased, and I presume that has been done?

Mr. BERTRAND (Laurier): Yes, it has.

Mr. MacNICOL: I should like the minister to tell us by how much they have been increased, because if there is one part of the whole public service that deserves a little extra consideration I believe it is the postal staff. Their duties are very heavy, and in a place like Toronto those duties are increasing all the time. I see them on my street; even the postie from the branch office is loaded down almost beyond his capacity. It seems they are now delivering magazines for every conceivable publisher, and as far as I can see they are very much overworked. I should like the minister to tell us by how much their salaries have been increased. Last session I also asked about the foremen in the branch post offices. I am advised their salaries have not been increased, and I should like to know why that has not been done. Their duties are very responsible, and they are having more and more work to do all the time.

Mr. BERTRAND (Laurier): I just said that the salaries of all employees have been increased, with the exception of the top officials and the district directors. The minimum increase is $120. The order in council has not been made public as yet; it was passed only last week. The minimum increase is $120 a year and the maximum is $180.

Mr. MacNICOL: Does that include the postal foremen?

Mr. BERTRAND (Laurier): My hon. friend means the supervisors, and that includes them.

Mr. MacNICOL: Yes; I mean the man who looks after the routes, who sees they are properly taken care of.

Mr. BERTRAND (Laurier): Yes, he gets $180, and I hope it will be retroactive to April 1, 1946.

Mr. MacNICOL: It starts at $120?

Mr. BERTRAND (Laurier): Yes, for the lower grades, going up to $180 for the higher grades. That was done only last week. The men know about it, but the general public do not.

Mr. MacNICOL: Then the minister said the deliveries had been increased to two daily?

Mr. BERTRAND (Laurier): Yes.

Mr. MacNICOL: Is that the case in my end of the city of Toronto? I do not know about it. It may be so. Are there two deliveries on Saturday, or just one?

Mr. BERTRAND (Laurier): Only one on Saturday.

Mr. MacNICOL: If I mail a letter here in Ottawa on Friday afternoon, addressed to my own home, they do not get it until Monday afternoon. I could walk that far with a letter in that time. What is the reason for that?

Mr. BERTRAND (Laurier): I should like to know if that is the case since the second daily delivery has been in operation. Of course, when we had only one delivery in the residential districts, in certain places that delivery was made in the afternoon, while in others it was made in the forenoon, because the men were working all day. I should be surprised if a letter posted here on Friday did not reach the hon. member's residence until Monday afternoon. It should get there Monday forenoon.

Mr. MacNICOL: It should, but it does not appear to. If I post a letter here in the House of Commons on Friday it does not go out until eleven o'clock at night, and there would be no delivery Saturday afternoon.

Mr. BERTRAND (Laurier): The first delivery after that would be Monday morning.

Mr. MacNICOL: That is quite a long time too, is it not?

Mr. BERTRAND (Laurier): But we do not deliver on Sunday.

Mr. MacNICOL: Do you deliver on Saturday afternoon?

Mr. BERTRAND (Laurier): No, unless it is a special delivery letter. Our employees work a 44-hour week.

Mr. HERRIDGE: While I realize that the Post Office Department is giving preference to veterans, and while I understand that quite a large number of rural postmasters are veterans, I want to suggest that this department has an opportunity to provide employment for a very much larger number of veterans without doing anyone any harm or doing anyone out of a job he requires. I am speaking now on behalf of the large number of veterans who were wounded and who are not able to go into the ordinary labour stream. In going through the country and going into post offices, you very often find a rural post office in a store. I know of cases where the income from the

post office may be $1,500, $2,000 or $3,000. At the same time the owner of the store has a good business, out of which he gets a good living. I know of rural postmasters who run the post office as a separate institution from which they receive $2,500 or $2,700 a year, while at the same time they carry on other businesses from which they receive a net revenue of thousands of dollars. I suggest that that here is an opportunity to do something for disabled veterans, a large number of whom have to be provided for by this country, and who have a claim for every consideration which can be given by parliament. I would suggest that the Post Office Department should conduct a survey of the situation in connection with rural post offices, so as to find those places which would be likely to provide opportunities for disabled veteran pensioners who would not be able to enter into the ordinary labour stream. Such post offices should be advertised, and opportunities given to veterans. I am sure, if that were done, it would provide employment for thousands of veterans who otherwise will find it difficult to secure employment in years to come.

Mr. BERTRAND (Laurier): That is exactly what we are doing. We are giving a 100 per cent preference to returned men in connection with any new jobs.

Mr. HERRIDGE: The minister possibly did not understand my remarks. That is not what the post office is doing. I say I know of people who are earning a good living, and to whom the post office is just an adjunct, a sideline. Those people can do without post offices. I say the Post Office Department should consider giving those to veterans. In some instances the income is as low as $500, but that would enable many men with a pension to get along comfortably.

Mr. BRYCE: Has the Postmaster General had any word from the government in the old country regarding a conference concerning these rates? The rates at the present time are twenty-four cents for the first pound, and eighteen cents for every additional pound. I asked the Postmaster General about that, and he told me that the outcome depended upon the old country government's entering into a conference with this government. Has there been any action in that connection?

Mr. BERTRAND (Laurier): On an eleven-pound parcel shipped to England we charge $2.25. Out of that we pay the steamship company $1.25 and we pay England sixty cents, leaving for ourselves only forty cents. Some of our officials were overseas. Mr. Germain was overseas not long ago and visited countries to which we ship these parcels. We find we cannot get a better rate than we are getting. We have to collect whatever we pay back to England or to any other country. To countries on the continent we have to pay more because most of these parcels go in transit via England, and we have to pay for transit. So that if on a parcel weighing eleven pounds we in Canada collect only forty cents for taking that parcel from anywhere in Canada to the port of departure from Canada, I do not think we are charging too much.

Mr. BRYCE: There has been no conference yet, has there?

Mr. BERTRAND (Laurier): Yes, there has been a conference in which the officials of my department have taken part. The result has been that no reduction has been brought about. The British government has been approached particularly and their reply is that for the time being they cannot reduce these rates.

Mr. LENNARD: Is it the custom to discuss everything connected with the Post Office Department when the first item is called? I notice that almost every subject is being discussed, and if that is permitted there is one I should like to bring to the attention of the minister.

The CHAIRMAN: It is customary to have a general discussion on the first item. But if hon. members have questions on any particular items I would suggest that they be reserved until the items are called.

Mr. LENNARD: I have a matter I shall place before the minister. His officials can consider it during the next few minutes, so that when the item is called it may be answered. I have before me a circular letter under date of July 20 sent out last month by the Toronto postal district service, in which they intimate that the five per cent cost of operation bonus is to be discontinued on February 15 next.

Further on in the letter, it states that it is necessary for the Post Office Department to have information as to whether a man wishes to continue on a lower rate, and they ask whether a lower rate would be accepted, or if the person in question would rather be relieved of his contract.

On the surface this seems unfair because, if the bonus was given for good cause during the war, most certainly the cost of living has not gone down, nor have operating costs in the past several years. I should like to know why

this is being discontinued. Surely these rural delivery men are under greater expense to-day than they were even during the war.

Mr. BERTRAND (Laurier): I shall answer that question immediately, because one might expect other questions along the same line. Only this afternoon a somewhat similar question was asked. Hon. members will realize, of course, that we have legal contracts with rural mail carriers and that we pay the bonus by virtue of order in council. These bonuses were supposed to be terminated on December 31, and we have asked to continue them until February 15. There is now before parliament a bill which would give the government an extension of sixty days instead of fifteen.

Some of the officials notified contractors that after the expiration of these contracts the bonuses could not be paid any longer because, unless we received authority from the House of Commons to do so, we would not have authority to continue the bonuses. Some of the officials gave this notification because they did not want to take any of the contractors by surprise. But after due consideration we are cancelling all these notices. We are sending a letter to every contractor who has received the notice telling him that we are hoping to continue the bonus until sixty days after the opening of the next session.

Then we shall have to readjust the contract either by asking for new tenders or by presenting a bill to parliament which would give the Postmaster General authority to renew these contracts at the rate set out therein, plus bonus. I do not want to plead the case before it comes up next session, but in order to prepare the hon. member I may say that every time we cancel a contract on account of the death of a contractor or to his sickness and inability to fulfil his contract, we ask for tenders. At this time the tenders are always higher than the original contract plus bonus.

Mr. LOCKHART: I believe that in connection with rural mail delivery there is a basis of so much per mile, where a satisfactory service cannot be obtained otherwise. I understand that the department sometimes gives a mileage allowance. Is that basis higher to-day than it was three years ago; or is it on the same basis, plus the bonus being discussed?

Mr. BERTRAND (Laurier): The same basis, plus this bonus. Every time we ask for tenders it varies. I must admit that at certain times tenders are put in which are too low, but the law forces us to accept the tender of a man who has the facilities to fulfil his contract. The Post Office Act permits a postmaster to award a contract for $200 or less without asking for tenders. This provision goes back to 1867. If we had had time this session I would have brought in amendments to the Post Office Act to increase this amount from $200 to $500, because I admit that to-day $500 is worth no more than $200 was in 1867.

Mr. LOCKHART: In a case where a tender was too high and the department refused to accept it and then said that they had a mile rate which they thought was fair, the mile rate was the same as before the war. The department still insisted that it was quite fair and I am wondering why there was not some adjustment.

Mr. BERTRAND (Laurier): There is no fixed rate. We are obliged to take the lowest tender, but we are not obliged to take the highest. We have adjusted certain contracts on account of increased expenses caused by the war, but there is no fixed rate per mile. It would be impossible to fix a rate because so many factors enter into the contracts. In some places horses and sleighs must be used in the winter time and automobiles in the summer, while in other places aeroplanes are used and so on.

Mr. GRANT: I should like to support the argument advanced by the hon. member for Kootenay West in connection with putting post offices in stores. When you ask the department to give this job to a returned soldier in a case where the storekeeper may be quite prosperous they write and tell you that you must get two people to give a sworn affidavit that the man is not operating the post office in the right way. That is not the point. The man is making money in his store and he is handling all the old age pension cheques and the children's allowance cheques. He knows where every cheque is going and when people come in for their cheques they are asked to pay their bills. This matter should be straightened out right now and every hon. member should support it. These people who keep stores should not be allowed to keep post offices, especially since the old age pensions and children's allowances have come into effect. I think every hon. member knows of cases, because there are thousands of them in Canada where the man running the store is keeping the post office. I think every hon. member in this committee should ask the Postmaster General to change the regulations whereby people running stores are allowed to keep post offices.

Mr. REID: I hope the minister will not take that advice seriously.

Mr. GRANT: If the hon. member for Vancouver wants to put up an argument against another member in his own party—

Mr. REID: Do not confuse me with Vancouver; it is New Westminster; please get it right.

Mr. GRANT: I suppose he will vote against it because he always votes against his party.

Mr. REID: I will say in a kindly way that I pity the hon. member and I ask the minister in all seriousness—

Mr. GRANT: Somebody ought to pity you.

Mr. REID: I do not care about that. I still say to the minister that I hope he does not take too seriously this suggestion. If it is followed many small places will not have post offices.

Mr. CHURCH: On page 11 of his report the Postmaster General reports a surplus of $11,442,000. The Toronto post offices contribute about thirty-one per cent of the gross revenue, since the statement on page 106 shows that the Toronto post offices contributed $12,290,055. During the war, the postmen on the routes had to serve twice as large a district as had been served during peace time. This placed a heavy strain upon the men, especially during the winter weather. A large number were laid off when the routes were doubled. This department has provided an excellent public service both in peace and in war. Along with the police and fire departments it is the other public utility giving most excellent service.

A large mail order post office building was built on Bay street, but the armed forces took it over during the war. I accompanied the predecessor of the present minister and the Postmaster General, along with the present Minister of Public Works, through terminal "A" post office building at Bay and Front streets, and we were both astonished at the conditions under which the staff had to work during rush times at Christmas and Easter. I understand that the department has now got part of this new mail order building back, and soon will have it all, so that a better building will give greatly needed space.

There used to be three deliveries each day in the business section and two in the residential section, and I should like to see this service restored. In some parts of the city they are getting only one residential delivery a day. Three years ago I complained about the punishment that was meted out to the one-tenth of one per cent of the men who got into trouble for stealing a few cents in letters. If a man took a few cents out of a letter the penalty imposed was three years. I brought this matter up for eight or nine years, and the act was finally amended making the punishment one year and giving the magistrate the option of reducing it to a lesser offence, with a penalty of one month, now the law. I think that is in the public interest and I am glad to see it is being carried out.

I should like to make a suggestion with regard to Toronto, and this may apply to other cities as well. We should have a system of drop letters at a one cent rate. There is no reason why that could not be done because there is a surplus of $11,442,000. I do not think the time is far distant when the rate will have to be reduced from three to two cents for letters going outside the city. Many complaints are being made about the cost of mailing parcels. The other day I sent the minister a letter which I had received from a prominent lady who is head of a patriotic organization. She sends about thirty or forty parcels a week to the old country and out of $4 or $5 she gets back only three or four cents change on maling only three of these. Probably the rates are fixed at the other end by the British government, but the minister should look into this matter.

I hope the department will recover possession of the building on Bay street. I should like to say a word about branch post offices. There are a great many of them located in the twelve constituencies in Toronto. From 1869 to 1901 the department had deficits, but with few exceptions from then on it has always shown a surplus. There was a series of deficits in the depression years from 1927 to 1931, but the surpluses started again in 1932 when there was a surplus of $657,000. In 1933 this went up to $1,164,000, and in 1935 there was a surplus of $2,274,000. The surplus in 1938 was $3,249,000. During the war there were large surpluses. Last year the surplus was $12,585,000, and this year it is $11,442,000.

I believe the time has come for the Post Office Department to provide better working conditions for the rank and file of the staff. Perhaps that comes under the civil service commission. In any event, something should be done to improve the working conditions because they are deplorable. In the summer time the men wear heavy uniforms, almost as heavy as those of the mounted police. Suitable summer uniforms prevail in municipalities.

I believe that the Post Office Department, which has given such fine service both in peace and in war, should expand. It was about ready to expand when the war started. The post office in Great Britain and in France has made great improvements. Our post office should be extended, as in England, to other uses and functions, as a public utility and in that way the public would get more service. I hope that the minister will look

into these matters, about which I wrote a memorandum to his predecessor, who said that he would certainly consider it. Certainly something should be done to provide better working conditions for the working classes who are engaged on this work. A large number of women and men also are now employed in sorting letters and doing other work inside, and their working conditions and space and health conditions are not at all what they should be. I was really surprised to see what those conditions were. You could not get away with them in a factory, but at terminal "A" in Toronto women are working by night and by day with insufficient lighting and lack of ordinary laws of public hygiene. I hope to see some modern improvements made in their working conditions.

In Toronto we have no main post office. We did once have a head post office on Toronto street, but we have no head post office in our city to-day. The department is leasing terminal "A", which is at the corner of Bay and Front street and is a part of the Union station. With a revenue of $13,000,000 from the Toronto post office, the city is certainly entitled to a modern post office building. Other public utilities have these new public buildings there; and it is not only a convenience but adds to the revenue as well.

I find some of the costly sub-post offices costing $20,000 to $30,000 or $40,000 with only about twenty per cent revenues therefrom. The department should be run on a commercial basis. I understand that the sub-post offices are granted and located on a party patronage basis, and not from a commercial aspect. Three hundred people applied for a new sub-post office on Carlaw avenue. They could not walk all the way from Gerrard street right up to Danforth, about a mile and a quarter, in bad weather, and they could not get a sub-post office on Carlaw avenue. I understand that the staff in sub-post offices is appointed on a party patronage basis. I have had a lot of complaints from returned men as to getting on terminal "A". I have had twenty or thirty letters from returned soldiers this year who were trying to get temporary or permanent employment at terminal "A". They could not apply there for work but had to go up to 465 Bay street, a mile farther away, to see somebody in the civil service commission. They would go in there and be kept waiting for half an hour or an hour and then be told to come back the next day, and they got no satisfaction. That should not be done to returned men, but I have seen it. There should be some more direct method of engaging these men. I do not believe altogether in the civil service commission. It has made mistakes. I believe that the superintendent of the post office, Mr. Gibson, an able, efficient and popular director of Toronto, whose office brings in a revenue of $13,000,000 a year and who gets a small and insignificant salary for the work he does, should have power as head of the branch to choose his own staff. I venture to say that if he did, the returned men would get a better chance.

Mr. GRAYDON: I cannot find any other item in the estimates on which to raise this important point, and so I take this opportunity of raising it on the administration item. I understand from outside sources that the Post Office Department is about to issue new postage stamps, and I am told that that there are seven new designs to be issued.

Mr. BERTRAND (Laurier): I made a statement in the house about the matter last week.

Mr. GRAYDON: That is what I was coming to. Before the minister made his statement in the house and before the members had an opportunity of seeing these exhibits of beauty, a storm was brewing over the new designs, and I want to get the minister's point of view because it is essential that we should have both sides. One of the designs I understand shows a ploughman with his furrow being turned on the wrong side of the plough. I have not seen the stamp myself. I think the members of the house should have been given a preview of these new designs.

Mr. GIBSON (Hamilton West): A left-handed plough.

Mr. GRAYDON: If the minister ever attempted to plough he would certainly take the wrong side of whatever he was doing. Perhaps he would be a left-handed ploughman.

Mr. MACKENZIE: Cincinnatus.

Mr. GRAYDON: Another stamp depicts a logging scene. I am not prepared to express an expert opinion on this. No doubt my good friend the hon. member for Comox-Alberni and others will be able to do that. But the way we hear it is that this new stamp shows two loggers turning their backs upon a falling tree, which from the expert's point of view indicates that these two men are in great danger of their lives. Other criticisms as well have been made of the new stamps that are being issued. I should like the minister to indicate who was responsible for these stamps, who were the designers, and would he also indicate whether any changes are to be made? Perhaps in the end

these stamps will provide additional money for the department. I certainly am not going to object to that. One paragraph that I read in the newspapers indicates that these new stamps will incidentally make money for the department. I quote one paragraph:

> In all this, whatever the technical criticism, there is profit and enjoyment.

Mr. MITCHELL: What paper is my hon. friend quoting from?

Mr. GRAYDON: It is the paper that always supports my hon. friend, the Toronto *Globe and Mail*. It goes on:

> Canadian stamps enjoy a world-wide reputation for their quality and a new issue almost always pays for itself three times over due to the demand of collectors, philatelists—

I may have the pronunciation wrong.

> —are a peculiar brew who draw unbounded satisfaction from such things as inverted centres, over-impressions and double transfers. To them a left-handed plowman or a foolish woodsman is a thing of beauty and a joy forever.

I would ask the minister to enlighten the committee about these new objects of beauty which are shortly to adorn our letters.

Mr. BERTRAND (Laurier): As everyone knows, I am almost new in the office of Postmaster General. I never thought there were so many philatelists in the world, but long before this issue came out we received hundreds of letters asking us to reserve a certain number of postage stamps for the writers. We have here a fourteen cent stamp representing a hydro-electric plant on the St. Maurice river. It happens to be La Gabelle, one of the best known plants belonging to the Shawinigan Water and Power Company, and I have received telegrams from the company asking for a large number of these stamps to send as gifts, presumably to clients and friends of the company.

About the farmer in eastern Ontario, it is true that the gentleman who is ploughing the field there does it on the left. My attention has been drawn to that, but I am told that there are reversible ploughs; if somebody has to plough on the down hill he ploughs in such a way that the fallow falls downhill, not uphill.

Mr. GRAYDON: Does that mean that the government is going downhill?

Mr. MACKENZIE: All the Tories are going downhill.

Mr. BERTRAND (Laurier): It is that way on this eight-cent stamp. I did ploughing myself when I was much younger, but I do not remember whether I was ploughing on the left or the right. However, according to the philatelists, the picture of this plough turning on the left is more valuable than if it were on the right side. There is no error; it is a very fine and well designed stamp.

Now about the fifty cent stamps; this issue shows lumberjacks working on fir and pine in British Columbia. I do not think there is any danger for these two men, because one is behind a tree—the tree is falling on the right and the man is behind it—and the other gentleman is cutting a tree which seems to be at least 150 feet on the right. The tree is falling to the rear, so that there is no danger at all. I do not think that stamp will have the value of the one which shows the plough working on the left.

Mr. KNIGHT: I have two or three questions to ask the minister. They are not interrelated in themselves, but they have relation to other questions which have been asked on this administration item, so I assume that I may present them. I was interested in hearing the minister say that the pay of the post office employees had been raised, and in that connection I want to mention the matter of overtime, the work performed on Sundays and on statutory holidays. I shall ask the minister this question, and invite him to reserve his answer while I go into another matter which has relation to it. My question is, do the post office employees now or can they hope shortly to draw overtime for work performed on Sundays or on statutory holidays—and I want to say this, and I want these words noted—in cash? One would wonder, if an employee is not paid in cash, what is the coinage in which he receives his remuneration. In looking into this matter I have unearthed something which surprises me tremendously. I find that certain employees of the post office have agreements in that time worked on statutory holidays—note this—"may at the present time be liquidated by time off", and they urge that such liquidation be confined to the month in which the overtime is worked instead of spread over the month in which it is worked and the following month. That needs a little explaining to anyone like myself who is not familiar with that peculiar system. I imagine it is pretty cold comfort to the letter carrier who works overtime the night before Christmas to know that in the following February he shall get a Monday off for the service so rendered.

Mr. BERTRAND (Laurier): He is paid in cash at Christmas time.

Mr. KNIGHT: But only at Christmas time? However, perhaps I should let the minister answer my question: is there any

provision now for overtime payment in cash for Sundays and statutory holidays? Would the minister at the same time comment upon this peculiar and, in my opinion, wrong system of paying a man by allowing time to be "liquidated"—a peculiar term which is apparently characteristic of the particular thing of which I am speaking? I should like the privilege of asking a further question when the minister has answered this one.

Mr. BERTRAND (Laurier): At all times, or at all events for some time, extra work done during the Christmas season has been paid for in cash.

Mr. KNIGHT: Overtime?

Mr. BERTRAND (Laurier): Overtime.

Mr. KNIGHT: Counting as time and a half?

Mr. BERTRAND (Laurier): At pro rata.

Mr. KNIGHT: Not time and a half?

Mr. BERTRAND (Laurier): No. During the other periods of the year we were paying him in time off. I must tell the hon. gentleman that this question is being studied very carefully at present both by the department and by the treasury board. I cannot to-day give the decision at which we are going to arrive, but we are reviewing this matter after having reviewed the salaries.

Mr. KNIGHT: The employees are desirous that this overtime or this "liquidation" of time should be paid in the month in which it is earned and not scattered over that month and the month which follows:

My other question has relation to the matter of parcel post. Someone brought up the subject to-night. I should like to refer to the sending of parcels by post to Germany. I know that ordinary letter mail to Germany was opened some time ago, and the United States opened a parcel post service some eight weeks ago. I applied to the Post Office Department to-day, and I will say that I got a civil and courteous answer from a gentleman in the minister's department, but while I got that information privately I think the matter ought to be brought to the attention of the house and the country. It is a matter affecting Canadian citizens and residents here who are anxious about the fate of their relatives in Germany. Germany, of course, is divided into three zones. I am thinking in particular of two of those zones, occupied respectively by British forces and by troops of the United States army. The letter I hold in my hand is written by a man who tells me that his mother died last year in January, simply from hunger. He has also sisters and a brother over there. It is only natural that he is desirous of sending small items of food and clothing, which he would not himself miss, in an attempt to save the lives of his remaining relatives. This afternoon I was given to understand by the official of the minister's department that the Post Office Department has done everything possible in that regard. Apparently they have applied to the United States authorities in the United States zone without success, and up until the present at least the result has been the same in the British zone. I presume that there is a way around this which is an irregular one. I presume that a man in this position could have food sent from the United States under the United States regulations, and it could be put into the zone now occupied by the United States army, but there would appear to be no way of getting food and clothing to save those people's lives in the British zone. It is a matter which concerns many people of German origin in this country, and I would urge the minister to keep on with the good work of trying to break down these walls at the earliest possible moment and thereby save lives.

Mr. BERTRAND (Laurier): I wish to say a few words about this. Ever since the war terminated we have had a lot of requests to send parcels to the former enemy countries of Germany and Italy, but we did all we could to accommodate our own people. There was no service in these countries. Even France, which was liberated some time before the end of the war, was in a similar position. We could not send parcels there because the French authorities had no way of delivering them. We started up by sending a small parcel of four pounds; then the weight was increased to seven pounds, then to eleven pounds and now it is twenty-two pounds. These services are being reorganized as quickly as possible in these countries, and as soon as we get the green light we shall be glad to notify the public of Canada that they may send parcels to these countries.

Mr. BROOKS: I may say to the minister that I have no complaint about the design of the new postage stamp for New Brunswick because there is no such thing. The same applies to Nova Scotia. I might tell the minister, if he has not already heard it, that both these provinces feel that they have been neglected. When the minister was considering designs he might very well have considered New Brunswick and Nova Scotia, especially when we realize what these provinces did during the war. I might refer particularly to the ports of Saint John and Halifax. No port in

Canada did as much for the war effort as did the port of Halifax, and to a lesser degree the port of Saint John.

Mr. JACKMAN: It is a better port.

Mr. BROOKS: It does not make any difference which is better; they are both good, and they are both good enough to be considered when stamps are being designed. I know the minister will tell us that he has given us a stamp for the maritime provinces. I believe that stamp represents the new ferry boat between New Brunswick and Prince Edward Island. Is that not correct?

Mr. BERTRAND (Laurier): That is absolutely correct, and it is a beautiful one.

Mr. BROOKS: The hon. member for Queens will probably tell the minister that they would rather see this ferry on the Northumberland strait than on a postage stamp. They have been waiting a long time for that ferry and I believe it will be some time yet before it is on that route. Therefore, if there is any criticism—

Mr. BERTRAND (Laurier): According to the stamp she seems to be going fine.

Mr. BROOKS: She is going at Sorel; but, if I understand correctly, it is not on the route between New Brunswick and Prince Edward Island.

My main object in rising was to ask the minister a question in reference to village post offices. We have made application for a number of post offices in my own province. I refer particularly to the village of Rothesay in the county of Kings, New Brunswick. This is a village of nearly two thousand people, one of the few incorporated villages in the maritime provinces. They have post office accommodation which would disgrace a rural community of a hundred or a hundred and fifty people. There is a small room; it is not much larger than, I was going to say, a telephone booth. When the people go for their mail no matter what the weather is like, if there are more than three or four some have to stand outside. In this village there are two large schools, the Rothesay collegiate school for boys and the Netherwood school for girls, and also a large consolidated school. I know of no other community anywhere that I have been in in Canada which has as poor postal accommodation as has the village of Rothesay. I wrote not only to the Post Office Department but to the public works department some time ago, and the excuse that was given was that they were not building any post offices during the war. That was a reasonable excuse; but during the war our Post Office Department must have made considerable money, and I know no reason why something should not be done along this line. If a new post office is not constructed—and I contend that they are deserving of a new post office—at least some suitable accommodation should be provided. The revenue from this village is over $8,000 a year, and I am satisfied that it cannot be costing more than half of that to carry on the postal services.

I might also say to the minister that a short time ago I sent him a petition from the village of Rothesay asking for a new post office, and as yet I have not had the courtesy of a reply from the minister's department. It may be that he has not had time, but the petition was sent.

Mr. BERTRAND (Laurier): When was the letter sent?

Mr. BROOKS: It was sent ten days ago, and that should be sufficient time. If the minister has not had time to reply that is perfectly all right.

Mr. BERTRAND (Laurier): We may have to make an investigation; we generally make an investigation.

Mr. BROOKS: As I say, I wrote the department before. The offices in Ottawa should have all the information which is required; it should not take long to make an investigation.

I should also like to take up the matter of rural routes. Possibly what applies to my constituency applies to a great many. Very little has been done during the war to extend rural routes throughout the country. A good many applications have been made for an extension, but the reply we have received is that there has been a war on and they could not extend these rural routes. I hope that the minister will take under consideration the many applications which he must have for the extension of rural routes for the better postal accommodation of the people throughout the country. I do not think there is anything further other than these two items. I hope that the minister will give them his attention and look into the matter of the Rothesay post office.

Mr. BERTRAND (Laurier): I do not wish to delay the committee in the passing of these estimates, but I feel that I should give an answer to the hon. gentleman with reference to the stamps. We have nine new stamps. Of course we cannot at all times have a stamp—

Mr. BROOKS: I would point out that there are only nine provinces in Canada.

Mr. BERTRAND (Laurier): Yes. If the hon. gentleman wishes to hear my answer I shall be glad to give it to him. When we print stamps we cannot at all times print nine, one for each province. We have to take care of the large province of Ontario in which is situated Toronto, which produces over $13,000,000 of revenue. It is true that in this issue there is no stamp having particular reference to Nova Scotia. There is one, as the hon. member said, depicting a ferryboat proceeding from Prince Edward Island to New Brunswick or vice versa. It is a beautiful stamp. We take our motif from the different districts, and I must say that as long as I am Postmaster General I shall never forget either Nova Scotia or New Brunswick. I like those two provinces very much; I know their importance, and I am sure that hon. members representing those provinces do not let anyone forget them. We have paid our respects to Nova Scotia in years gone by. In 1938, for example, we had a stamp showing Halifax harbour. In 1929 we had beautiful stamps of the *Bluenose,* and in 1930 we had a stamp showing Grand Pré. In 1934 we had a New Brunswick stamp showing a ship, and we had one of Prince Edward Island in 1935. I am sure the objection raised is not very serious, but we like to show we are not forgetting New Brunswick or Nova Scotia.

With regard to post offices in villages, as the hon. member knows they are revenue post offices, meaning that the postmaster receives a percentage of the revenue. In places where the revenue may be only $50 or $60 a year we pay the postmaster a minimum of $110, losing money thereby. I know the postmasters have to furnish decent places to keep the post offices, and the department does not look after those places, though we pay a certain amount by way of subsidy. In the case of Rothesay, if the hon. member has had no reply it is probably because there have been complaints and we have asked the district director to make a report; because if it is not large enough, or if it is not convenient having regard to the size of the village, we shall have to ask the postmaster to find another place.

With regard to the post office building, the hon. member answered the point when he argued his case. At this time, when material is so scarce, we cannot expect to build many post offices. I must admit that we are far behind in the construction of these buildings because of the war years. We have received three or four hundred requests for new post office buildings; the population of many towns has increased, and a certain number—I will not say too many, because it might cost us a great deal of money next year—of buildings will have to be erected at points where the revenue is $10,000 or more. The revenue at Rothesay is $7,270. Before the war, and especially before the first world war, if a member of parliament attended the sessions regularly, and I suppose voted correctly, sometimes he could get the public works department to build a post office, but I must say that in my department we are trying to follow one of the rules that have been suggested quite often by hon. gentlemen opposite, a rule called economy. The demand is so great that we have had to make some rules, and we shall not be able to build post offices where the postal revenue is not at least $10,000.

Mr. BROOKS: May I ask when that rule was put into effect, because I know post offices that have been built where the revenue is much less than $10,000.

Mr. BERTRAND (Laurier): As I said, before the war there was no fixed and strict rule as there is to-day. I do not say we shall not depart from that rule. We would depart from it if it were necessary in order to give work to more men in the country, and so on; but at the present time, with the shortage of materials, we would be severely criticized if we started to put up three or four hundred post office buildings all over Canada. A little patience will surely cure many of these things.

As to the rural routes, we are providing as many as possible, but again we have to consider the cost. We have had to cut down certain rural routes in some parts of the country where perhaps only two or three families were being served in a distance of three or four miles. It was very difficult to cut them down, and we have heard about it ever since, but we must be careful with the people's money. Any time we find a situation where there are four farmers or four postal addresses, as we call it, per mile, we extend the route whenever possible. If the roads are impassable of course we will not do it, but we do extend routes where conditions permit. I must say that in years gone by postmasters general were very kind to the people of New Brunswick, because they have a good share of the rural routes.

Mr. WRIGHT: I should like to ask a question with regard to the matter which was discussed when these estimates came up first; that is, the postal rates on parcels to the old country. In his breakdown the minister gave us the figure of $2.25 for an 11-pound parcel, of which forty cents went to our post office, sixty cents to Great Britain and $1.25 in shipping charges. Those shipping charges seem

to me quite excessive, because that would be at the rate of approximately $500 a ton, and at that rate it would cost $12 to ship a bushel of wheat from Saint John to Liverpool. I wonder how long that rate has been in effect. Is it a rate that was put on during the war, and what companies are enjoying this rate? It seems to me excessive, and I should like an explanation.

While I am on my feet, I should like to ask another question. The minister stated that to establish a rural route would require four farmers to the mile. I do not believe that rule applies in western Canada. We would not have any rural routes out there if it required four subscribers to the mile. I am just wondering what the rule is there and what extensions have been made in western Canada in the past year.

Mr. BERTRAND (Laurier): When I was speaking of four farmers per mile I was answering the hon. member for Royal, in regard to the east. Of course I admit that in the west we have to be more generous in this, as in some other things.

The rate for parcels is according to weight and also according to the number of cubic feet. We pay seventy-five cents per cubic foot. As the hon. gentleman knows, these parcels sometimes contain clothing and articles that are quite heavy, and I understand that it takes one and a half or two cubic feet for each parcel.

Mr. WRIGHT: How long have these rates been in effect? Have they been in operation for a number of years?

Mr. BERTRAND (Laurier): Since the beginning of the war.

Mr. WRIGHT: There has been no reduction in the rate since the end of the war?

Mr. BERTRAND (Laurier): There will be, I am sure. We are trying to get better rates, and as soon as the new lines begin to operate we may do so. To-day, as the hon. gentleman knows, all the ships are crowded, and I do not expect any reduction before another five or six months.

Mr. McLURE: I thought I should rise when I heard some slight criticism regarding the new stamps. However, it was friendly criticism. I wish to say that we appreciate very much the beautiful design on the stamp given to my province, a stamp which happened to be the most expensive one. But, joining with the hon. member for Royal, how much more would we appreciate it if the Postmaster General were to jog the memory of his colleague, the Minister of Transport, and ask him when he is going to give us a steamer between Tormentine and Borden?

Some hon. MEMBERS: Order.

Mr. McLURE: I should like to offer a suggestion regarding the bonuses the rural carriers are being paid. These bonuses were most acceptable to them and, as other hon. members have said, the cost of living is still going up. It would not be in their interests to have the cut at the present time. The Postmaster General has told us that possibly sixty days after the next session some legislation in this connection will be introduced. I would suggest, however, that the bonus be continued until the expiration of the contracts. When tenders are called there will be an opportunity for re-tendering and for getting probably more than the five per cent bonus. Or perhaps the Postmaster General has something better in mind for the rural carriers.

Mr. FRASER: I have before me a letter from the Peterborough district council of the civil service federation of Canada. On more than one occasion they have suggested that the Postmaster General see to it that the regulations respecting the size of envelopes be enforced, and that the standard size of envelopes be used. They object to the use of small envelopes and cards such as are used at Christmas and other holiday seasons. The sorters and the letter carriers have great difficulty in looking after these outsize letters and post cards. I would ask the Postmaster General to check on this.

On many occasions I have had letters from people in my constituency respecting the stamping of picture post cards by the post office. They tell me that in most cases they receive picture post cards on which the Post Office Department has placed its stamp, thereby rendering the pictures useless. Only the other day I received a beautiful post card from Italy—I believe it was handpainted —and the only postmark on the picture side of the card was a Canadian postmark. The other marks had been placed on the address side. I suggest that a regulation should be put through to stop the defacing of picture post cards.

I believe the question of sub-post offices is of interest to every city of any size where sub-post offices are used. If I mail a letter in the general post office in Peterborough to any one of the sub-post offices in that city I must place a four-cent stamp on it. For instance, if this chamber were the city of

Peterborough and if my seat were the general post office and I were to post a letter from my seat, sending it to the minister who, we will say, is in a sub-post office, I would have to place a four-cent stamp on it. But if I were to post a letter addressed to the house next door to the sub-post office I would have to use only a three-cent stamp. If a party has to call for it at the sub-post office the rate is four cents. This is confusing, because letters are sent out not only by myself but by other people, addressed to sub-post offices. We find that those receiving the letters or calling for them have to pay the additional postage.

Then, according to the district director, an overweight letter sent to a sub-post office must pay two cents for each additional ounce. I believe that all letters posted to any point in a city, whether or not they be addressed to a sub-post office, should pay the same rate of three cents.

I came across an article in the *Popular Science* magazine of March, 1946, which states that a new federal law in the United States has authorized the postmaster general there to offer anything up to $1,000 to any postal employee in return for a top-grade invention. Such suggestion must either promote economy or increase efficiency so that it may be adopted by the post office department. As at present understood, there will be no time limit placed on the contest, but the total amount of the reward under the act must not exceed $25,000 in any one year. Further regulations are to be worked out under the postmaster general in that country. I believe that our postal system in Canada works well, as does that in the United States. However, I believe our Postmaster General might take that suggestion into consideration, and see what can be done with it.

What was the total revenue for the post office department last year?

Mr. BERTRAND (Laurier): There was a gross revenue of $83 million.

Mr. FRASER: During the war, as a war measure postage was increased from three cents to four cents. Does all that four cents go to the Post Office Department?

Perhaps one of the reasons the revenue for the department was up lies in the fact that service pins sent out by the Department of National Defence had postage paid on them, as well as an additional ten cents for registration. Do other departments in the government put postage stamps on their mail?

Mr. BERTRAND (Laurier): I appreciate the hon. member's suggestion concerning rewards. Of course in the United States where the revenue is so tremendous they can offer amounts that we could not afford to offer here.

Mr. FRASER: You could make the amount smaller.

Mr. BERTRAND (Laurier): Last year we held a conference of district directors and we intend to repeat this conference every year. This was the first time that it was held, and a large number of suggestions were made which we will consider during the year and try to implement. With regard to the cost of a drop letter, which is a letter dropped in a region where there is a post office, I would say that that is three cents. The cost of a forward letter, which has to go to another post office, is four cents.

Mr. FRASER: This was right in the city, from one post office to another.

Mr. BERTRAND (Laurier): I do not know the exact situation in Peterborough, but I shall ask the superintendent to make a report. I would be surprised if what the hon. member calls a sub-post office is really a sub-post office as we understand it in the department. It must be another post office serving another region.

Mr. FRASER: I am referring to sub-office No. 1, which is situated right in Peterborough.

Mr. BERTRAND (Laurier): I will make inquiries.

Mr. FRASER: Will the minister answer the other question about the envelopes?

Mr. BERTRAND (Laurier): We are trying to settle that question, because the suggestion was made to us at the conference. It would be difficult to have a fixed and drastic rule, but we are trying to work it out by making arrangements with the manufacturers of envelopes.

Mr. GIBSON (Comox-Alberni): I hesitate to enter into a profound discussion like the one we have had this evening, but I shall do my best. I was particularly interested in the remarks of the hon. members for Broadview and Davenport of the city of Toronto who referred to the mail service there. I should like to point out that, apart from the north pole, I think my riding has probably the slowest service of any riding in Canada. On the west coast of Vancouver island it is desperate. The minimum time for an ordinary first-class letter is six days, while the maximum will run as high as sixteen days. Is there any possibility of the minister allowing members of parliament the privilege of franking their letters for air mail when it is going a thousand

miles or more from Ottawa? The electors of Comox-Alberni and other British Columbia ridings, and those in other constituencies far away, are entitled to a more rapid service. I would appreciate it if the minister would give this matter consideration.

Mr. JAENICKE: The matter I wish to bring to the attention of the minister is related to the question raised by the hon. member for Wentworth who referred to the cancellation of the war bonus paid to rural mail carriers. I should like to refer to what are known as mail couriers; that is, the persons who carry the mail from the post office to the train and from the train to the post office. Their contract does not amount to very much, but I understand that recently they received notice that the war bonus was to be cancelled and that the contract would be renewed only on the basis of the figure that prevailed before the war. Most of these mail couriers are old veterans and the amounts they receive are not large. Many of them have no other income, and I think the minister should continue the bonus at least for the time being. I should like to ask whether these mail couriers are in the same position as the rural mail carriers?

Mr. BERTRAND (Laurier): Yes.

Mr. FULTON: I should like to inquire about the policy of the post office with respect to the use of the mails by charitable and other organizations in connection with puzzle contests. Many communities are endeavouring to raise funds for memorial centres by means of puzzle contests. The Post Office Department has ruled, I believe as of February 15, that the mails cannot be used for this purpose. The result is that in some cases those conducting the contest are unable to reply to entrants and they are now being branded as dishonest. I understand that this action is being taken in order to safeguard the public against institutions that might be working dishonestly. Apparently the Post Office Department have decided that, whether or not a contest is actually illegal, if an attempt is made to mislead the public they rule that it is matter which cannot use the mails.

I suggest that this decision ought to be left to the courts. If it is government policy that people are to be protected from illegal contests, then I submit that they should go to the courts to decide whether or not a contest is illegal instead of trying to do through the post office regulations what apparently they feel they cannot do under other legislation. As I say, many of these institutions have lost potential money and certainly their reputation has been injured. Would the minister consider revising that rule?

Mr. BERTRAND (Laurier): The hon. member is referring to the Kamloops recreation centre, or something like that?

Mr. FULTON: That occasioned my question, but I was referring to the matter in a general way.

Mr. BERTRAND (Laurier): In the Post Office Act there is a section which prohibits the use of the mails for lotteries. I must admit that probably we are unable to stop all lotteries immediately they start; sometimes it takes a few weeks and sometimes we do not know that the mails are being used for a lottery. In the last year or so these lotteries have increased tremendously and many complaints have been received from all parts of Canada. I was obliged to make a public announcement in the newspapers about a week or two ago notifying the public that we could not allow the use of the mails for lotteries. We stopped all mail and returned it to the point of mailing. We have been asked by some of these people to give them the letters rather than return them to the senders, but we could not do that because the section is mandatory and we have to obey the law. The gentleman in charge of the Kamloops recreation centre saw me and the officials of the department, and when he left he told us he was satisfied that he could not keep on with what he had been doing.

Mr. FULTON: Admittedly there is power under the Post Office Act in so far as lotteries are concerned. I discussed the matter with the deputy minister, and I am quite satisfied that there is power to rule against an organization running a lottery. My point is that if it is not a lottery, if it is not a game of chance, there is no such power.

Mr. BERTRAND (Laurier): If it is a game of chance it is a lottery.

Mr. FULTON: If the Post Office Department receives a complaint that there is a lottery, that there is something illegal about the contest, then I suggest that, instead of using that arbitrary power in cases of doubt, it should advise the complainant to take the matter to the courts. If it is an illegal contest or gambling game there are statutes prohibiting that sort of thing and the case can be settled in the courts. It seems to me that the Post Office Department is in danger of using one of these regulations for a purpose never intended; that is, to stop games of skill or chance. I am glad to say that the deputy postmaster general advised me that there was nothing dishonest about this puzzle contest, and I presume he is still of the same opinion. But I am not basing my position

on an individual case, because I do not think that individual cases should be made the subject of appeals across the floor of the house. But a principle is involved, and inasmuch as many of these contests may be conducted perfectly honestly and without breaking any of the laws of the country I am suggesting to the Postmaster General that he advise his complainants that if they think there is anything illegal about it there are courts provided for the purpose and he should not enforce a regulation which deprives many communities of funds for useful purposes.

Mr. BERTRAND (Laurier): I do not think we did anything that was arbitrary. I must tell the hon. gentleman that I was crown prosecutor in Montreal for seventeen years and I have seen a lot of these things. We will never stop the mails when they are carrying something which is not contrary to the Post Office Act. Of course I do not agree with the hon. member in his opinion about this particular case. There is no doubt at all in my mind that it was a lottery.

Mr. McIVOR: I think the minister is to be commended for not allowing the mails of Canada to be used for sweepstakes or lotteries. I know that the opposition will support him in this because they do not believe in spending a dollar to take a chance on winning several thousand. The minister should feel that the House of Commons is behind him in this, and that a big section of this country will not tolerate lotteries or anything of that sort.

Mr. HARKNESS: For some considerable time past I have had a certain amount of correspondence from the federated association of letter carriers in Calgary. I think the Postmaster General will be relieved to know that I am not going to ask for a new post office or anything like that. During the recess I met a considerable number of these men at their request and found them a most conscientious and earnest group of men who seem to be troubled over certain matters which they were anxious to have brought to the attention of the Postmaster General and parliament. Accordingly I have a few questions to direct to the Postmaster General. First is the matter of retirement of men who have already expressed a wish to retire, provided that superannuation is available for them. This whole subject became a live one amongst them because of a notice which was posted up in the Calgary post office on February 22, 1945, which read:

With a view to creating positions in the postal service for returned soldiers the department is desirous of ascertaining the number of vacancies which will be created in the near future. While permanent employees are at present required to furnish schedule "J" before they can be retired on superannuation, there is a possibility that some changes may shortly be made in the regulations.

Will all employees who would be interested under these conditions please submit a written request to me at the earliest possible moment?

I would ask the Postmaster General whether any action has been taken with regard to that matter. Apparently up to April of this year nothing further had been done. The notice had been posted up and the men's minds were considerably perturbed. Some put in a request for retirement and others were wondering whether to do so or not. May I have an answer from the minister stating just what the position is now?

Mr. BERTRAND (Laurier): That was done before my time but I suppose I am responsible. It was exploratory. We wanted to know if it was worth while passing any regulation about it. Very few answered, according to my information, and it did not materialize in any rule or regulation of any kind.

Mr. HARKNESS: I take it that nothing further has been done about the matter. Have those who put in their application been told whether they would be retired on superannuation, or have they not?

Mr. BERTRAND (Laurier): I cannot say at the moment. I will look into the matter.

Mr. HARKNESS: The next question is as to hours of duty. I do not know anything about the hours of duty in the post office; but, so far as I can make out, the position of these men was this. The tour of duty in the postal service is at present on the basis of eight hours a day, while the rest of the civil service enjoys a six and one-half hour day. Their contention is that, as part of the civil service, their tour of duty should be on the same basis, namely, six and one-half hours a day. I do not know whether that is a practical request or whether it could be readily put into execution, but it does seem a bit out of line that these men comprise the only large group in the civil service which works an eight-hour day as compared with six and a half hours for the rest of the service.

Mr. BERTRAND (Laurier): They get higher pay, which is not to be forgotten, than do those who are working a fewer number of hours. They also get a larger increase than the others. Most of them got the maximum increase.

Mr. HARKNESS: What is the rate of pay of these letter carriers? I have never understood that it was particularly good.

Mr. BERTRAND (Laurier): They start at $1,320 and go up to $1,800, plus the cost of living bonus.

Mr. HARKNESS: Another matter on their minds is the present system of ninty per cent permanent and ten per cent temporary appointments. Apparently the system used to be that 100 per cent of the appointments would be permanent. I understand that that was done away with; I do not know how long ago. Now ninety per cent are permanents and ten per cent temporaries, and the temporaries do not receive as much pay and are not eligible for superannuation benefits. Is that rule still in effect, and, if so, how long is it to be kept in effect? Or is it a permanent regulation?

Mr. BERTRAND (Laurier): During the war we were not allowed to make permanent appointments. We had to take on temporaries because we wanted to replace these men by returned soldiers. Some employees in certain categories were made permanent. But we keep at least ten per cent as a cushion for an increase of work. In most of the post offices the work fluctuates according to the period of the year, and it has always been the practice to keep a cushion to meet changes in the amount of work.

Mr. HARKNESS: I hardly think that is a satisfactory explanation. I know of at least one case of a man at Calgary who has been on the temporary staff for twelve or fifteen years.

Mr. BERTRAND (Laurier): He may not have passed the examinations. To be permanent one has to pass the required examinations, and some of these men have not done so.

Mr. HARKNESS: There is no question of his not having passed the examination. He has been on the job, but he has not been able to enjoy the benefits of permanency in spite of the fact that he has been working there for twelve to fifteen years. It seems to me that a system like that is a poor one, and calculated to break down the morale of the employee.

Mr. BERTRAND (Laurier): If the hon. gentleman will give me the name of this person I will look into the case and give him a direct answer.

Mr. HARKNESS: It is a system which should be done away with. If a man is doing a particular job he should be put in that job and enjoy the pay and status of that job, and if he is not able to do it, get rid of him and engage somebody else. A man should not be kept hanging around in a position where more or less he does not know what the score is or what is going to happen to him.

The only other point I wish to mention is connected with statutory holidays, which apparently, so far as post office employees are concerned, were cancelled shortly after the commencement of the war. I should like to know whether those statutory holidays have been restored to these men, and, if not, when they will be.

Mr. MARTIN: They have been.

Mr. HARKNESS: I want, if I can, to get an answer to this question.

Mr. MACKENZIE: I want to say a word about this debate. I think it is time we knew where we stand. I heard last week in this house nothing but the cry, with which I have a lot of sympathy, for "economy, economy, economy". Now we have a different cry, for additional expenditures in regard to all the departments of government. We cannot reconcile these two things; and I think, if we are to finish this session in a reasonable time, we should get on with this work in a reasonable manner and conclude these debates.

Mr. HARKNESS: Mr. Chairman, I take objection to the remarks of the Minister of Veterans Affairs.

Mr. MACKENZIE: There is no personal reflection.

Mr. HARKNESS: I was not in any instance calling for greater expenditure; I was presenting the complaints of a certain number of my constituents, which I consider it is my duty to do, in this house. I take strong exception to the minister making that an excuse for saying that I, or any other members of this party, have been talking economy in the past and are now talking with exactly the opposite effect.

Mr. MACKENZIE: I assure my hon. friend that there was no personal reflection.

Mr. BERTRAND (Laurier): I am sorry that I did not understand at once the last question of the hon. member. The holidays have now been restored.

Mr. HARKNESS: Thank you.

Mr. ARCHIBALD: I should like to bring up a couple of questions at this time. They are not related, but in order to facilitate business I will put them together. This does not call for expenditure, either.

I am in much the same spot as the hon. member for Comox-Alberni, in that I come from an area of the west coast which has

poor facilities for the delivery of mail, namely Queen Charlotte island. There is a boat that goes in every ten days. The people cannot mail on the same boat the answers to the letters they receive, so that there is a lapse of twenty days between a letter being sent and answered. There is an aeroplane service in there now, but it is not on a scheduled basis. As I understand the rule regarding transport of mail, it must be done by aeroplanes on schedule, not just on charter work. But to all intents and purposes these aeroplanes are on a regular schedule, although not listed as such. The people at, say Massett, would like to have air mail now that aeroplanes are calling regularly there. I have no doubt that it would help the company which has inaugurated that service. But when one inquires of the department they say that there are certain regulations which the air transport authorities demand, that the service be in operation six months, and so on and so forth. We are under an economy of private enterprise where we have "get and go". I should like to see that maxim applied to the Post Office Department. Cannot they brush away the red tape in a special case in an isolated area? Granted that you must have a lot of red tape in highly congested areas where there are transcontinental lines and other facilities, here you have an isolated area which should not be subject to the general rule. I hope the department will look into the matter and cut the red tape, so that these planes can pack mail up to these people at Queen Charlotte, Massett and Port Clements.

I should also like to bring to the attention of the minister the problem of the people of Atlin. I am not going to ask him to spend any money, but this is a case of a few nails. They have a building there, but it is not adequate for the purpose. There is very little standing space in the post office, and they have to stand outside in the winter time while their mail is being sorted, but there would be plenty of space in the post office if the wickets were moved back. There is an old Indian office which is not in use that could be made into a general waiting room for these people, so that they could stay inside and be comfortable in the winter weather. Outside, the sidewalk slants into the post office, and there is a pool of water there; they have to be regular puddle jumpers to get in, and if there was just a shanty roof put over it, it would save a good deal of wet feet and so on which is very hard on elderly people. I hope the minister will give consideration to these two matters.

[Mr. Archibald.]

Mr. HANSELL: I appreciate the remarks of the Minister of Veterans Affairs in wanting to get on with the business of the house, but I understand it is the business of the house to debate these matters, even though after we have spoken we do not convince anybody; and that is not personal either. The minister has a habit of hitting a person in the solar plexus and then saying, "Nothing personal; nothing personal about that!"

I want to ask one question, and then you can pass all the post office estimates that you want. The minister was talking some little while ago about rates for overseas parcels. I am not so much concerned about the rates, but the weight of these parcels is limited to eleven pounds each, and of those eleven pounds there is a limit of seven pounds of food. I could never see why that should be. The people in England particularly are in need of food; yet when we wrap up a parcel, in order to get full advantage of the eleven pounds we have to stuff it with a lot of other things because we are not allowed to send eleven pounds of food. Could the minister not change that regulation a little? Then, I believe they are allowed only one parcel a month. There are ways of getting around this, by sending one parcel to your sister and another to your brother and another to your grandmother; but why is each person allowed only one parcel a month?

I have one more question. Has the minister ever given any consideration to the subject of anonymous letters passing through the mails? I do not know what he can do about them; but may I go so far as to suggest that if it were made a criminal offence, perhaps people would not take the chance in sending anonymous letters through the mails. I always assume that when letters are sent anonymously there is mischief somewhere, and if something could be done to curb that practice it would be a good thing. But I am particularly interested in the matter of food for people in England.

Mr. BERTRAND (Laurier): I explained a few minutes ago that the limitation of food to seven pounds per parcel and the limitation of one parcel per month are restrictions imposed by the receiving nation. None of these restrictions is imposed by us, and since we are sending the parcels we have to abide by the rules which are imposed on us; otherwise they would not be delivered.

Mr. HANSELL: Then the receiving nations should change their rules.

Mr. BERTRAND (Laurier): I believe as the hon. gentleman does, but the receiving nations do not.

Mr. STOKES: Under the heading "departmental administration", there are one or two questions I should like to ask the minister. I do so with some fear and trembling because of the humour expressed a few moments ago by the leader of the house. I wish to compliment the Postmaster General on the reply which he gave earlier to the hon. member for Kootenay West, when he said that so far as he was concerned veterans would have preference in post office matters. I compliment him because, since I came into the house a few years ago, I remember an instance in my county when two fine veterans of the first war applied for a post office position, and a young man who had never seen service got the office. It was something of which I was ashamed to speak.

The matter to which I wish to refer specifically has to do with thickly populated suburban areas outside a city which has a letter carrier service. The area is adjacent to the city but not within its municipal boundaries. The people in that area have to go a long way to the post office. In the one instance I have in mind one rural route goes through the area. Since the population is growing, there is a demand for some service. What is the governing factor in that regard?

Another matter to which I wish to refer is the extension of rural routes. Frequently we find a good class of farmer or two living up a road which would be called a dead-end, which means that if the courier went up he would have to retrace his steps. These people are retepayers and are just as much entitled to postal service as the other people. It is quite a hardship for them to come out and get their mail. Perhaps they may get a letter which requires a reply. They have to go back before the man returns the next day; they cannot stand on the corner waiting. These are matters of policy on which I should like to have the minister's opinion.

Mr. WHITE (Middlesex-East): I wish to comment a little on the work of the post office. I listened with interest to the discussion on the postage stamps. I was going to commend the minister for doing uphill work with a downhill plough.

I also wish to comment on the extension of rural routes. In my riding I have an application for the extension of a route, but most of the people live within a half mile of an already established route, and while there were seventeen within the half mile the route could not be extended which seems too bad.

Then there is the question of drop letters. In London, for instance, a drop letter is delivered for three cents. Many people in London mail a letter thinking that, because it is in London, it will be delivered for three cents; but when the farmer out on the rural route gets it he has to pay two cents more for it. I think that might well be changed. I also appreciate what will be done with regard to the wartime bonus for rural mail carriers.

Mr. HAZEN: May I revert for a moment to the new issue of stamps? How were the designs selected? Who made the designs? Were a number of designs submitted and considered and then a choice made? I ask these questions because I am one of those people who are critical of the designs which appear on our Canadian stamps. If you compare the designs of the Canadian stamps of the past number of years with the designs of some of the stamps of Nova Scotia or New Brunswick prior to confederation, or some of the other provinces prior to confederation, or if you compare the designs of our present-day stamps with some of the designs of the Canadian stamps after confederation you will find that really they are not comparable. They do not compare in design, in colour or in texture. It seems to me that more consideration might be given to the designs of our Canadian stamps in order to make them more artistic and more effective.

I do not know whether it is a good plan to have designs depicting different parts of Canada. Some complaint has been made about that this evening. Some complaint has been made that there was no design for Nova Scotia or New Brunswick. I am not going to harp on that this evening. It seems to me that perhaps we might show more imagination or more vision if we are to depict these regional designs. We might perhaps very well picture the future developments of our provinces. So far as New Brunswick and Nova Scotia are concerned, the minister might put on one of these stamps a design showing the new Chibucto canal which I presume is to be built before very long, or the power development on the Petitcodiac river or the new—

Mr. MACKENZIE: Canso ferry.

Mr. MICHAUD: Canso bridge.

Mr. HAZEN: Or the new airport at Clover Valley, near Saint John, which I understand is to be constructed before very long. Another good design would be one depicting the free port which will be established at the port of Saint John in the near future.

Mr. BERTRAND (Laurier): I must admit that the hon. member for St. John-Albert has a good imagination, but if we were making

these designs we might be told by the Canadian people that we were discounting the future too much.

With regard to the designs, they were made by our officials. I must tell the hon. gentleman that among the philatelists our stamps are considered the best in the world.

Mr. HAZEN: I do not agree with them.

Mr. BERTRAND (Laurier): Well, I shall give the hon. gentleman an example. Recently the collection of the late President Roosevelt was put up for sale by a broker in New York and the stamp which brought the largest amount of money was a Canadian stamp which was issued during the war. It brought $1,167 out of a collection which sold for over $227,000. I give that to the hon. gentlemen as an example, and if I hold my present position for very long I shall probably be able to give him other examples.

Mr. FULTON: It is interesting to note that as a rule the thing which makes a stamp valuable is that there is something wrong with it. I am not sure that it is a good thing to say that the Canadian stamps are the most valuable in the world. Does the Postmaster General know what was wrong with this particular stamp?

Mr. JACKMAN: Reverting from new stamps to old ones, may I ask the minister what was the total revenue of the philatelic division during the last fiscal year? What was the cost of operating it? If the minister has these figures I should like to have them. There are several other questions I should like to ask later.

Mr. BERTRAND (Laurier): I shall have those figures in a moment.

Mr. JACKMAN: Very well. Then, may I ask the minister a more important question. Of the total number of employees of the Post Office Department, what percentage is temporary? I ask this question because I should like some information in regard to this policy of the Post Office Department, and I believe some other government departments, of keeping ten per cent of the employees on a temporary basis instead of giving them permanent places. I wish to follow that question with one as to the number of permanent appointments made in the Post Office Department during the last fiscal year. While his deputies are obtaining that information, I wonder if the minister could tell the committee just how severe the fluctuations are in the revenues of the Post Office Department. Do they fluctuate pretty well with the national income of the country, or is there a relatively steady flow of revenue to his department? If the fluctuation is not severe I should think the ordinary mortality and retirement rate would allow for men who have served for three or, at the most, five years having their positions made permanent.

Mr. BERTRAND (Laurier): The revenue does fluctuate, at least to a certain extent. In the Post Office Department we have a barometer of business in Canada which is recognized as pretty good and sound. It is the total of the money orders and postal notes sold each year. I may tell the hon. gentleman that this year we have the highest amount in our history. These postal notes and money orders are sent by people who do not ordinarily send cheques; that is, the small people, and this year that total is $498,000,000. In the years of the depression it fluctuated a great deal, I understand. The money we received for mail transit last year increased quite considerably also, owing to the fact that there is more international correspondence. So that there are a number of factors which make the revenue fluctuate quite a bit.

Mr. MATTHEWS (Brandon): In regard to the question of sending parcels overseas. I was told only yesterday by a thoroughly reliable source that an 11-pound parcel sent to Greece from Canada requires the payment of $3.10, but if it is sent from the United States the charge is only half that much, or $1.55. An air mail letter from Canada to Greece costs sixty cents; from the United States it costs from twenty to thirty cents. We have all heard of the dire shortage of food in Greece, where the need is perhaps as great as or greater than in any other part of the world, and I believe that some steps might very well be taken to make it easier and cheaper for the sons of Greece in this country to send food to their starving relatives at home. If my information be correct, as I believe it is, I suggest that the department, which I have always found ready to act on what they believed to be reasonable suggestions, might look into this matter and see if it cannot be corrected.

Mr. BERTRAND (Laurier): I do not question the statement made by the hon. gentleman. The United States have direct lines ploughing the ocean between Greece and their seaports. We have not, so that we have to pay for the transit, which they do not have to do.

Mr. BRACKEN: What is the policy of the department with respect to the construction of new post offices? I gather that at the moment you are not doing much at it?

Mr. BERTRAND (Laurier): No.

Mr. BRACKEN: In the estimates before us I see nothing for capital expenditures. What is the policy of the department with respect to the construction of new post offices?

Mr. BERTRAND (Laurier): The expenditure on buildings is, of course, made by the Department of Public Works. We requisition them and they build the post offices for us. We have established a rule, which is not inflexible, that we would construct post offices in towns having a net revenue of $10,000 or more; and as soon as we start building those we shall begin with the largest towns or cities and work down. That is our rule to-day, to build only where the net revenue is $10,000 or more.

I must answer the question asked by the hon. member for Rosedale in regard to the revenue of the philatelic service. For the year 1945 the number of orders received was 1,873, which brought a total of $142,740.

Mr. BRACKEN: The Postmaster General says the Department of Public Works constructs the post offices. I presume they do so at the request or on the recommendation of the Post Office Department?

Mr. BERTRAND (Laurier): Yes.

Mr. BRACKEN: Are you planning on building any post offices this fiscal year?

Mr. BERTRAND (Laurier): A few, in places where it is absolutely necessary. Those amounts will be provided in the supplementary estimates of the Department of Public Works. I hope hon. members will understand that if they ask me questions in regard to post offices that are not very large I may not be able to answer them until I get the particulars from the officials of my department. I have in mind particularly post offices like the one mentioned by an hon. member from British Columbia. Every time a matter of this kind is brought to our attention we ask for a report from the superintendent of the district, and if the building is not what it should be we see that better service is given, especially where the postmaster has to furnish the premises.

Mr. BRACKEN: Would the minister be prepared to say, perhaps at a later time, the amount of business done at Flin Flon, Manitoba?

Mr. BERTRAND (Laurier): Yes, I have that now. For the fiscal year 1944-45, which are the latest figures we have, the revenue was $32,667.

Mr. BRACKEN: Then, under the policy of the department that town would be in line for the construction of a post office, as soon as you commence construction on any scale?

Mr. BERTRAND (Laurier): Yes. We have a list of those places, and I remember that Flin Flon is on the list.

Mr. BRACKEN: The reason I ask is that for twenty years it was in the constituency I represented. They have made representations to me to see that their position is kept before the department. It is a city of ten thousand, doing a business of $30,000 a year, and the post office is still in very small, rented quarters. They tell me that place is in what the department calls a class A district. I presume they have districts classed as A, B, C and so on, and that class A means the class of towns which will be first to have buildings constructed when you decide to go ahead with them. Is that right?

Mr. BERTRAND (Laurier): That is correct.

Mr. CAMPBELL: During the war there have not been many extensions of rural routes. It seems to me the department should now consider extending rural routes into districts where they are badly needed. I hope the minister will give encouragement to the doing of this work.

How are revenue postmasters appointed? Are they appointed by the civil service commission? Is there any way of getting superannuation for postmasters who have given many years of service?

Mr. BERTRAND (Laurier): Revenue postmasters in offices making more than $3,000 in revenue are appointed by the civil service commission. Under that amount they are appointed upon recommendation. In every instance where there is a returned man we are giving preference to him, if he wants the job.

Mr. BURTON: You are supposed to.

Mr. BERTRAND (Laurier): We always do.

Mr. BURTON: I know cases where, not many years ago, that did not happen.

Mr. BERTRAND (Laurier): That was "not many years ago".

Mr. CAMPBELL: Has the department considered any scheme for providing superannuation for the postmasters in smaller post offices?

Mr. BERTRAND (Laurier): This is a matter of policy which is being discussed to-day by the association of revenue postmasters. I do not know how it could be done. I understand that it would be difficult of accomplishment, but the question is being studied.

Mr. WARREN: It is only on rare occasions that I bring to the floor of the house problems concerning my constituency. During this question period, however, there are two or three matters I should like to bring to the attention of the Postmaster General. The first of these is the need for additional letter carriers in the town of Pembroke. I am asking the Postmaster General to look into the situation there with a view to rectifying what I think is a grievance.

Then, has the minister up to this point given any consideration to taking care of people living on side-lines on which perhaps only two families live? I have always been confronted with the ruling that in order to have an extension there must be at least three families on three-quarters of a mile.

Mr. BERTRAND (Laurier): I said a few minutes ago that we were asking to have four families per mile, or one-quarter of a mile per family. Hon. members will realize that we cannot deliver rural mail in a place, for instance, where there might be only one family in three miles. That would cost too much. In such instances we ask the persons affected to come to a point near at hand where the rural mail passes, and to have their box at that point so that they can be served.

I shall look into the facts concerning Pembroke. The hon. member will understand that we give a letter-carrier service to towns with a revenue of $40,000 or more. If the hon. member wishes to set the facts out in a letter to me I shall be pleased to look into the matter.

Mr. WARREN: In my constituency there are numerous cases of side-lines where perhaps only two families live, the nearest of which might be within half a mile of the corner. However it is a considerable hardship for those people to have to walk to that corner in all kinds of weather and to have to wait for the mailman. The mailman is not always on time.

Now that the war is over, I believe it would not be unreasonable to ask the Postmaster General to give relief in cases of that kind. I have numerous ceases which would fall into this class in my constituency. They have been getting their mail under these conditions through all these years, and their annoyance is growing all the time. The idea of having to walk half a mile through the snow or rain for their mail, when their neighbours have their mail delivered to their gates, does not appeal to them. After all, it is not so long ago that rural mail delivery was introduced, and I should think the time has come to extend the service. I suggest that this matter might be given most serious consideration so as to help these people who must endure considerable hardship in getting their mail.

Mr. CRUICKSHANK: Mr. Chairman, may I ask a question? I have been trying all night to do so, and I want to go home. Did I understand the minister to say that some small town in Manitoba is going to have a post office before Chilliwack gets one? Chilliwack has a revenue of $88,000, and it has the poorest service given in any post office on the North American continent. We have been endeavouring to get action from the minister's department for more than a year. I might add that the constituency is the best in Canada.

Despite our efforts to get action from the department, we have got absolutely nothing but a lot of very nice letters—which do not deliver the mail. The people have to stand in queues for three hours to get their mail in a post office bringing in a revenue of $88,000. We are told we cannot use the basement of the building because of something that happened many years ago in connection with the introduction of a stamp. And, by the way, I do not want a stamp, with the picture of a peach on it, or anything else. All I want is service for the post office. If the minister cannot answer to-night, I am not in a hurry. There is no hurry now to get the estimate through; we have been waiting all day. The minister knows all about the situation at Chilliwack.

Mr. BERTRAND (Laurier): This is a place which is on the list, and which will be taken into serious consideration.

Mr. MacINNIS: Earlier in the evening when a question was asked about rural mail carriers I believe the minister answered that sometimes when tenders were called the lowest tender was less than the work could be done for. Under those circumstances, what is the policy of the department?

Mr. BERTRAND (Laurier): We know from experience that some tenderers are not going to make much money. But with the law as it is to-day, if the person who tenders is able and has the necessary apparatus, horses, automobiles or trucks to fulfil his contract, we have to give it to him. There is nothing in the law giving us discretion to eliminate the lowest tenderer.

Mr. MacINNIS: But in a case where obviously the tenderer cannot fulfil the contract, and representations are made to the Post Office Department, how is the matter dealt with?

Mr. BERTRAND (Laurier): We advertise for new contracts.

Mr. BENTLEY: I should like to ask a question of the minister, and before doing so I want to tell him that I am not going to ask for anything on a stamp, not even the C.C.F. insignia. In reply to a question asked by the hon. member for Renfrew North, the minister said that a post office would require to have $40,000 a year revenue or more to warrant a mail-carrier service. In the important city of Swift Current in southwestern Saskatchewan the revenue is over $40,000 a year, and has been over that point for many years, and yet we have no mail-carrier service. It is not because we have not asked for it. A plebiscite was held in the town and the people asked for it. The Legion branch has asked for it in order that three or four men might be given work in performing a useful service for the city. Since we have a revenue of $40,000 and over, I should like to know what other reason there is for our not having this service.

Mr. BERTRAND (Laurier): When I said that we were giving carrier service to towns that had a revenue of $40,000 or more I did not mention that there are other conditions to be considered. A town must have at least 2,000 points of call because it takes that many to keep two or three letter carriers busy. I would not say that there should be a sidewalk for every foot over which a letter carrier would walk, but we do ask that the letter carrier be able to do his job without having to face possible illness owing to mud and water and so forth.

Mr. BENTLEY: Mud does not bother us a great deal. In the last survey it was found there were 1,600 points of call on sidewalks, and there were also some other points of call on cinder walks. Those walks do not get very muddy. The 1,600 points of call would keep a couple of men busy.

Mr. FLEMING: Mail leaving the parliamentary post office does not reach Toronto until the second day after mailing. I do not see why there should be any delay because mail is sent through the parliamentary post office.

Item agreed to.

262. Railway mail service, $13,299,000.

Mr. JAENICKE: Could the minister break down this item and tell us how much he is going to pay to each company, and the rate that was paid during the last fiscal year?

Mr. BERTRAND (Laurier): In 1945-46 we paid the Canadian National $3,660,000, and the Canadian Pacific, $4,037,000; we paid other lines $413,000, and there is another item of $2,396, making a total of $8,113,598.

Mr. JAENICKE: Will the figure for this year be about the same?

Mr. BERTRAND (Laurier): The estimates for this year show a decrease of $1,352,279.

Mr. JAENICKE: Do you pay the same rate to the Canadian National as you pay to the Canadian Pacific?

Mr. BERTRAND (Laurier): Yes, exactly the same.

Item agreed to.

263. Air and land mail services, $18,571,767.

Mr. FULTON: What is the basic rate per mile for air mail?

Mr. BERTRAND (Laurier): 1·5 mills per pound mile.

Mr. FULTON: What was the previous rate?

Mr. BERTRAND (Laurier): Forty-two cents per mile and we changed the base completely to a pound-mile base.

Mr. FULTON: I know of a firm which made application for an air route, but they were turned down, one reason being that they could not bid low enough to get an air-mail contract. This particular concern points out that when the T.C.A. first started operations the rate was nearly four times what it is to-day and the present rate makes it difficult for small concerns to get going. Apparently the T.C.A. received ·6 cents per mile throughout the first four years of its operations. At the present time companies other than the T.C.A. are receiving in the neighbourhood of ·5 cents per mile. Is there any distinction in the rates in British Columbia and other provinces?

Mr. MACKENZIE: I am informed that there is none whatever.

Mr. FULTON: Will consideration be given to increasing the rate in view of the fact that apparently it took a ·5 rate for the T.C.A. to get going, whereas it is now ·15, which makes it difficult for these small lines to get going?

Mr. MACKENZIE: As acting Postmaster General I shall be glad to bring the representations made by my hon. friend to the attention of my colleague and I am sure they will receive every possible consideration.

Mr. BRYCE: I have one question to ask and I do not know whether I should have asked it of the last Postmaster General or

the new one. Has consideration been given to providing an airmail service to Norway House, Berens River, Grand Rapids and Warrens Landing during the winter time? It is essential that this service be provided.

Mr. MACKENZIE: We are giving continuous and anxious and sustained consideration to the development of these routes.

Mr. FRASER: I am told that on many occasions rural mail has been held up because it sometimes takes half an hour to open the mail bags because the locks will not open. At times they have to use a hammer and a few cuss words to get them open.

Mr. MACKENZIE: That may be the fault of the receiver as well as the dispatcher.

Mr. FRASER: I wonder if the Postmaster General would check up on that and have the locks fixed.

Mr. BERTRAND (Laurier): I must tell the hon. gentleman that during the war we were unable to have bags made out of good cotton and we used almost anything we could find. There was a great increase in the mail during the war and we had difficulty in getting not only locks but everything that goes with the bags. The hon. gentleman will see that we are asking for quite a large amount of money this year to replace our stock of bags. I am not surprised that something might have happened because we had to take almost anything during the war.

Mr. FRASER: I worked on one of these locks for half an hour, and at last had to use a hammer and then got the bag open.

Mr. HARKNESS: In the railways and shipping committee when dealing with T.C.A. there was considerable questioning in connection with the rate which was paid by the post office to T.C.A. for air mail. T.C.A. seemed quite happy over the rate they are now getting, although it has been reduced from former years, because they are no longer under the thumb of the Post Office Department as to the flights they must make. Is the Post Office Department equally satisfied with the rate which they pay to T.C.A.? I have not the figures, but I understand that that rate is considerably in excess of the rate paid in the United States for air mail. I notice in the estimates that the total amount for airmail service is greater than the amount for railway mail service, although the distances are extremely disproportionate.

Mr. BERTRAND (Laurier): We have only one route, and that is east-west or west-east. The post office wanted to help T.C.A. establish itself when it was just starting up in Canada. Now it has passed that stage and we have made a contract on a pound-mile basis, which is the logical way of paying for air-mail service. We are paying a good price, one and a half mills per pound-mile, which is quite a lot. I must admit that it is more than is being paid for express and more than is paid for passengers. Passengers pay $6 for 200 pounds going 100 miles, which works out at about 3/10ths of a mill per pound-mile. We are paying for the air mail 1·5 mills per pound-mile. But that is on a decreasing scale. It comes down in four or five years at the end of the contract to ·9 mills. We are reducing our airmail payment by about $50,000 a month.

Mr. CAMPBELL: For the last two years we spent $350,000 a year on mail bags, and this year the expenditure is $650,000. Would the minister give us some idea of the number of bags purchased and the reason for this large increase in expenditure?

Mr. BERTRAND (Laurier): During the war we could not manufacture or get any mail bags, and those conditions prevailed for five years, so that we did run short quite a bit. We have to replenish what we call our bank of bags. In Toronto alone during the Christmas season it takes 600,000 bags to handle the mail. Of course that is the largest post office we have in Canada.

Mr. MacINNIS: They believe in Santa Claus in Toronto.

Mr. BERTRAND (Laurier): We have to replenish our bank and the bags are then distributed amongst the post offices throughout Canada. Last year we had to send out some of the mail in empty flour bags. During the Christmas season we shipped thirty-five carloads of mail from Toronto and, as I said, it took 600,000 bags just for that city. We have asked for tenders from the different cotton mills, and the only company which accepted a contract to furnish us with 10,000 yards of cotton per week was the Dominion Textile company. It will take at least six months before we have the number of bags we would have in ordinary times.

Mr. CAMPBELL: How many yards of cotton does it take for a bag? That would give us some idea of how much a bag costs.

Mr. BERTRAND (Laurier): The bags cost about $2. We buy the bag, the lock and everything, and we have the bags manufactured by two different companies, one in Montreal and one in Toronto.

Mr. GIBSON (Comox-Alberni): I am happy to be in agreement with the hon. member for Skeena for once when he brought up the subject of airmail service to the Queen Charlotte islands, which is relevant to conditions existing in my own riding. When I go to the Post Office Department I find a courteous minister and courteous assistants, but when you mention airmail service on some route where none is operating they look at you like a banker from whom you are trying to borrow money. I would point out to the minister that in providing an airmail service for these frontier points he is doing a great service for Canada, and I do not think we should penalize them to the extent we have in the past and expect them to put up with a lot of disabilities. Some help is needed from the dominion government. I should like the minister to give the assurance that negotiations are still proceeding with the Canadian Pacific and also with the charter lines that the hon. member for Skeena mentioned.

Mr. BERTRAND (Laurier): We are negotiating with these companies.

Item agreed to.

Pensions and Other Benefits—

265. To provide for the payment of compassionate allowances to employees injured while in the performance of their duties, or to other persons injured while performing duties in any way connected with the postal service, or in protecting His Majesty's mails, or to the dependents of such employees or other persons who may be killed while so engaged; payments to be made only on the specific authority of the governor in council, $5,000.

Mr. MacINNIS: Will the minister explain this item? I ask for an explanation because the amount is so insignificant in view of the large number of employees in the Post Office Department. Would the minister also say whether the employees of the Post Office Department come under the Government Employees Compensation Act?

Mr. BERTRAND (Laurier): Yes, they do.

Item agreed to.

DEPARTMENT OF PUBLIC WORKS

Chief architect's branch—

294. Public buildings generally—repairs, alterations, fittings and improvements, $300,000.

Mr. GRAYDON: I think this item includes the building which seemed to be going by so quickly and which I wanted to catch as it went by. Are there any anticipated changes or improvements in the near future under contemplation by the government with respect to the buildings here?

Hon. ALPHONSE FOURNIER (Minister of Public Works): Under this item, which is a general vote, estimates are made and contracts are let. It will be seen that this year there is an increase of $100,000 as compared with last year. This is the first year after the war and we have added an amount for repairs and maintenance.

Mr. GRAYDON: Does this apply to the parliament buildings?

Mr. FOURNIER (Hull): No, not this item.

Mr. BRACKEN: Where in these estimates is the item for post offices?

Mr. FOURNIER (Hull): They are pretty much all along. It is under "public buildings"; we have passed a good many of them as we went along this evening, and I was surprised that I did not get more requests, but really this year it has been the policy of the government not to put up new post offices. In certain instances we may acquire sites for future post offices, but it was represented to the Department of Public Works that the government wanted to keep all the materials we had for construction of housing, and we have taken a back seat this year and did not recommend any construction, so that the government's housing programme can be proceeded with. Next year we hope we shall have some new buildings. We know the state in which some of our buildings are right now; we know that new buildings are needed in many places. We admit that. But we thought the first priority should go to housing, particularly housing for veterans.

Mr. BRACKEN: Is the minister saying that there is no provision in his estimates for the construction of new post offices in this fiscal year?

Mr. FOURNIER (Hull): Well, I would not know exactly. I have in mind right now only one case where we may let the contract this year, and that would be at Sault Ste. Marie. We are acquiring the site now and preparing the plans and having specifications made, and that will not be only for a post office; it will be a general public building. I was out there myself to make a personal inquiry, and I find that a building is needed not only for postal services but for all the government services we have in the district. We are repairing a good many post offices this year, but I do not believe that any contract for new construction will be let during the fiscal year. As I have said, we shall acquire sites and prepare plans, but as to actual construction I do not suppose that before next spring we can get materials. I have in mind an instance where

we gave out a contract, not for a building, but for a wharf, and we could not even get timber to proceed with that work at this time.

Mr. BRACKEN: Before the last items of the minister's estimates are passed, will he give us a definite statement as to what post offices, if any, he contemplates building this year? He has said, practically none. What sites has he purchased, expecting to build immediately, and what post offices has he plans for constructing?

Mr. FOURNIER (Hull): If my hon. friend will refer to pages 34 and following of the estimates he will see that, in Nova Scotia, we have at Halifax a postal station, North End, $25,000, and a Halifax office building, revote last year $50,000, total $100,000. All this work will not be done during the current year, and it is only a partial vote; it is not a complete vote for the whole building. In New Brunswick, there is Saint John, office building, revote of $50,000 from last year to this year; Saint John post office, alterations, and Sussex public building, $15,000 et cetera. As you go over the list you will find every item as to which expenses will be made this year, on pages 34 to 38 inclusive and part of page 39. Everything is there, and I cannot go farther than is mentioned on these pages in these items.

Mr. BRACKEN: The hon. member has said that in some cases this is a revote of moneys appropriated last year. How are we to know whether this is just a figure in a book this year, or whether it is to be a post office?

Mr. FOURNIER (Hull): It is all mentioned. As to going ahead, the session last year closed on December 16, if I recall well, and the votes which were passed at that time could not be expended on account of the late season. We now have the revote in these estimates; but part of that money may have been spent in preparing the plans and specifications.

Mr. BRACKEN: Then the minister does expect to spend all the money for which he is now asking for these purposes in this fiscal year?

Mr. FOURNIER (Hull): I cannot even go as far as that, because I cannot tell right now if, even with the projects we contemplate, we shall have the necessary materials to proceed. We may not expend all the money that is asked for in these items: it will depend on the supply of labour and materials.

Mr. CHURCH: Under item 294, public buildings, I want to ask the minister what he intends to do to improve these facilities in our city. If we take into consideration the revenue the department derives, something better might be expected. The various departments of government are scattered over a distance of seven or eight miles, and there seems to be no way of finding out how to get in touch with them by telephone. I have tried for many hours to locate particular offices for which I was looking. There should be a general public building. The need of such a provision in our city is urgent. The offices are old and dilapidated. Surely, with the revenues obtained by the post office we should have some new equipment, because business men are complaining that they cannot find offices which, like the income tax branch, are spread all over the city. Contrast this with any of the public utilities. The Bell Telephone, the gas company and all these other corporations provide fine offices for the convenience of the public. I can tell you, although the Minister of Veterans Affairs may smile, that it is not good enough. The business men of the country are kicking, and I should like to know if there is to be an improvement.

Item agreed to.

Progress reported.

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

Wednesday, August 7, 1946

The house met at eleven o'clock.

PRIVATE BILLS

FIRST READINGS—SENATE BILLS

Bill No. 347 for the relief of Fania Pustopedskaites Sobolevicius, otherwise known as Fanny Pustopedsky Sobolevicius.—Mr. Maybank.

Bill No. 348 for the relief of Frances Mary Fisk Irwin.—Mr. Maybank.

Bill No. 349 for the relief of Lilias Clark Watt James.—Mr. Brown.

Bill No. 350 for the relief of Michael Gibson.—Mr. Emmerson.

Bill No. 351 for the relief of Azaire Trottier.—Mr. Maybank.

Bill No. 352 for the relief of Elizabeth Sharp Hamelin.—Mr. Maybank.

Bill No. 353 for the relief of Lucille Aimée Cadieux Lacombe.—Mr. Maybank.

Bill No. 354 for the relief of Mary Wetstein Szabo.—Mr. Maybank.

Bill No. 355 for the relief of Brandla Lylberburg Guz, otherwise known as Bertha Silverberg Gass.—Mr. McGregor.

Bill No. 356 for the relief of Natalie Kathleen Fearon Kirouac.—Mr. Baker.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

NATIONAL FLAG

Mr. POULIOT:

1. Has the government ordered any flags of the design recommended by the Joint Special Committee to select a Canadian flag?

2. If so (a) when; (b) from whom; (c) in what quantity; (d) of what size; (e) at what price, and (f) under what authority?

3. What is the delivery date of such flags?

Mr. ST. LAURENT:

1. No.

2 and 3. Answered by No. 1.

INCOME TAX—MARRIED COUPLES AND SINGLE PERSONS IN CERTAIN BRACKETS

Mr. McCUAIG:

1. What is the number of married couples in Canada receiving an income of $1,500 or less?

2. What is the number of single persons receiving $750 or less?

Mr. MacKINNON:

1. Normal wage-earner families, by earnings group of head, for Canada, 1941 census:

Earnings group	Number
Total	1,214,858
—$1,450	824,871
$1,450+	373,713
Not given	16,274

Note: This includes only the earnings of the head.

2. Single wage-earners, by earnings group and sex, for Canada, 1941 census:

Earnings group	Total	Male	Female
Total	1,328,030	740,205	587,825
—$450	643,668	339,314	304,354
$450-$949	442,885	232,761	210,124
$950+	220,476	153,649	66,827
Not given	21,001	14,481	6,520

Note: Persons on active service on June 1, 1941, are not included in these tables.

H.M.C.S. DOCKYARD, HALIFAX—TRUCKS

Mr. McCULLOUGH (Assiniboia):

1. How many trucks are in storage at H.M.C.S. Dockyard, Halifax?

2. How many trucks, if any, have been declared surplus from H.M.C.S. Dockyard, Halifax?

Mr. MACDONALD (Halifax):

1. Fifty-nine: all declared surplus and awaiting disposal by War Assets Corporation.

2. Seventy-four.

QUESTIONS PASSED AS ORDERS FOR RETURNS

HOUSING—VETERANS—MOOSE JAW

Mr. THATCHER:

1. What is the total cost to date of veterans homes built or being built in Moose Jaw?

2. What is the estimated final cost?

3. What proportion of this cost is being borne by the department?

4. What was the cost of A. Humphrey's 1A house?

5. Has a veteran who is purchasing one of these holdings the right to inquire into its cost?

6. Has the department decided to build additional veterans homes in Moose Jaw?

7. Will costs above $6,000 for each home which were incurred by the director be written off in accordance with the principle of the Act?

VETERANS LAND ACT—COMPARATIVE AVERAGE COST PER HOUSE

Mr. CRUICKSHANK:

1. What was the average cost per house built under the Veterans Land Act at Haney, Mission, Chilliwack, Kamloops, Edmonton and Ottawa for (a) lumber; (b) cement; (c) bricks; (d) electrical fittings; (e) plumbing; (f) supervision; (g) management fees; (h) overhead?

2. What was the average cost for land per holding?

3. What was the cost of construction per cubic foot?

EXPORTS OF PRIMARY PRODUCTS—EQUALIZATION PAYMENTS

Mr. WINKLER:

1. By years from 1939, how much was paid by farmers to the equalization fund of the Canadian Wheat Board on exports of oats and barley to the United States?

2. In the same years, was there any equalization payment by primary producers of mineral, forest and fishery products?

ARMED FORCES—RESIDENTS OF YUKON DISCHARGED IN VANCOUVER

Mr. BLACK (Yukon):

1. Are members of the armed forces, residents of Yukon, on leave in Yukon, employed there preparatory to discharge, taken to Vancouver, British Columbia for discharge and then returned to Yukon?

2. If so, is this done at public expense?

3. What does it cost the public treasury to send such a man to Dawson, Yukon, to take him from there to Vancouver for discharge from the army and on discharge to return him to Dawson, Yukon?

MOTION FOR PAPERS

ARMY REJECTION OR MEDICAL DISCHARGES AT CAMP BORDEN

Mr. DIEFENBAKER:

For a copy of all correspondence passing between the Department of National Defence, and/or the Department of Labour, and/or the Department of Justice, and between any one or

more of said departments, since January, 1944, to date, in connection with the improper use of army rejection or medical discharges at Camp Borden, wherein one Arnold (also known as William Horrigan), allegedly along with one Bagley utilized army rejection or medical discharges which had been signed in blank by former Major J. A. Elliott, A.19, R.C.A.S.C.

PUBLIC HEALTH

INQUIRY AS TO STEPS TAKEN TO CONTROL INFANTILE PARALYSIS

On the orders of the day:

Mr. GORDON GRAYDON (Peel): I should like to direct a question to the Minister of National Revenue, who I understand is Acting Minister of National Health and Welfare. In view of the fact that there is such widespread public concern over the large increase in the number of cases of infantile paralysis in certain sections of Canada, would the minister indicate to the house how the situation stands at present and what steps have been or can be taken in connection with the spread of the epidemic.

Hon. J. J. McCANN (Acting Minister of National Health and Welfare): I thank the hon. gentleman for having given notice of the question, and I may tell him the matter is being looked into. For the last day or two the acting deputy minister of health has been obtaining reports from the various provincial departments of health, and at a later date, probably by to-morrow, I shall be able to give a more complete answer to the question.

Mr. GRAYDON: Perhaps the minister might indicate the number of cases reported so far and how they compare with the number in previous years when the epidemic was at its height in Canada.

HOUSE OF COMMONS

RESTRICTION ON CARRYING OF CAMERAS BY VISITORS TO PARLIAMENT BUILDINGS

On the orders of the day:

Mr. GORDON GRAYDON (Peel): I should like to direct a question to you, Mr. Speaker, if I may. In these days record numbers of tourists and visitors, from both within and without Canada, are going through the parliament buildings. From some of these has come the suggestion, rather than complaints, perhaps, that there be a relaxation of the wartime restriction on the carrying of cameras with which they may take pictures from the peace tower. There are two reasons why this might be done. In the first place there is considerable disappointment on the part of those who find they have to check their cameras at the door. In the second place the hard-working members of the staff are finding the inconvenience and burden much greater than normally is the case, because of the fact they have to undertake these checking arrangements as the tourists come in. I wonder if Your Honour would be good enough to look into the matter and see if something could not be done.

Mr. SPEAKER: The remarks of the hon. member have been noted with great interest, and will be given careful consideration.

OFFICIAL SECRETS ACT

PREFERRING OF CHARGES AGAINST DOCTOR SHUGAR

On the orders of the day:

Mr. D. J. McCUAIG (Maple Creek): I should like to ask a question of the Minister of Justice. Has the government given consideration to the propriety of either preferring charges against Doctor Shugar or of reinstating him in the position formerly held by him in the government employ?

Right Hon. L. S. ST. LAURENT (Minister of Justice): The answer is yes. My information is that charges were laid against Doctor Shugar yesterday.

VETERANS AFFAIRS

APPRAISAL OF LANDS FOR VETERANS

On the orders of the day:

Mr. E. B. McCULLOUGH (Assiniboia): I should like to ask a question of the Minister of Veterans Affairs. I have before me a letter from the district superintendent of the soldier settlement and Veterans Land Act in Alberta, from which I should like to quote the last paragraph:

> We have at the present time a large backlog of appraisals for veterans who have already been qualified and are awaiting establishment, and I regret that due to shortage of staff we are unable to make the appraisal you requested.

Mr. SPEAKER: Order. It is a well known rule that questions on the orders of the day must be brief and to the point.

Mr. McCULLOUGH (Assiniboia): This is an urgent matter. In view of the backlog of appraisals and the fact that veterans want to settle on the land, will the minister now tell the house whether he is increasing his staff so that appraisals may be expedited and veterans rehabilitated?

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs): My answer is that the staff

will be increased according to the necessity of the occasion, and policy will be announced from time to time.

FOREIGN EXCHANGE CONTROL

STATUTORY AUTHORITY FOR ORDERS IN COUNCIL PASSED UNDER WAR MEASURES ACT

Hon. DOUGLAS ABBOTT (Acting Minister of Finance) moved that the house go into committee on bill No. 195, respecting the control of the acquisition and disposition of foreign currency and the control of transactions involving foreign currency or non-residents.

Motion agreed to and the house went into committee, Mr. Macdonald (Brantford City) in the chair.

On section 1—Short title.

Mr. MACDONNELL (Muskoka-Ontario): Mr. Chairman, this is a bill of great importance and one which no one in the committee should vote for lightly, without consideration as to whether it needs modification. I propose at the outset to state my conclusions in the hope that I may thereby indicate a certain moderation, and perhaps get sympathetic consideration for the succeeding remarks I shall make.

I am not prepared to say that with the knowledge the government has there may not be a valid argument for the continuance of these powers, or some of them, for a period. But there are two points I wish to put before the committee the first of which has reference to the duration of the bill, which I hope very much the committee will agree to amend by putting a time limit on it. The second point I wish to bring to the attention of the committee is a matter which was put before the standing committee, and unsuccessfully, of trying to introduce at least some moderation, at least some beginning to a return to freedom which at the present time this bill entirely denies.

I wish to say a word about the importance of the bill. I put this particularly to supporters of the government; we should face the fact that we are trying slowly and painfully—and it is still doubtful whether successfully—to emerge from quasi-socialism with as large a measure of freedom as we can. Hon. gentlemen who sit to my immediate left will, I take it, favour this bill. But to them I should like to point out what was said the other day by the hon. member for Rosetown-Biggar (Mr. Coldwell), something which I commend to all the members of his party. These were his words:

> We are not opposed to private enterprise, but we demand that private enterprise shall take the risks if it takes the rewards.

I think that is a fair statement; I would not take away one word from it. But I suggest to the hon. member for Rosetown-Biggar that he might clarify the ideas of some other members of his party, notably the genial member for Cariboo (Mr. Irvine), and the sometimes genial member for Vancouver East (Mr. MacInnis), because they seem to me constantly to use words which are entirely repugnant to the view expressed in the words I have just quoted of the hon. member for Rosetown-Biggar.

I believe it is worth saying this, because in my view the spirit in which we approach these things, particularly with the difficulties we are facing to-day, will be of great importance in the next few years. I resent more than I can say the remarks which I have heard in the house, remarks which were perhaps not made seriously, but which seem to indicate that any man who had been successful in private enterprise must have been either a hard, rapacious, overbearing man, or a crook. I am not saying this in respect of any particular person, nor do I suggest that those were the words used. But I do say that the hon. member for Rosetown-Biggar has expressed a view in the matter which should be taken seriously by his supporters.

I suggest most earnestly that hon. members should consider carefully the powers given under this bill—rigid, uncontrolled, unlimited as they are. They should seriously consider whether it is necessary not only to give these powers, but to give them without any time limit. I had hoped, from the remarks of the Acting Minister of Finance when the bill was introduced, and when we passed second reading, that certainly he had an open mind on the subject of time. However, as I remember, he said later that the government had decided that it would leave the time unlimited.

As the acting minister has said, the government has decided, and I am never at all sure whether that means that the minister himself has decided, or whether the government has made the decision. However that is a detail which perhaps is none of our business. At any rate, that was the attitude the acting minister took.

I ask the committee to look at these powers, and the reasons for which they were granted originally, and then I ask hon. members to consider whether it is necessary that these powers be continued indefinitely and in an unlimited fashion.

The reason for asking these powers was, of course, the situation in which we found ourselves in 1939. Probably the basic reason was the expected flight of capital, particularly to the United States. After all, at that time Canada, a small country in point of population, was at war, whereas the United States, a large country was not at war. It would not have been surprising, therefore, if there had been a serious flight of capital, and I believe the use of these powers at that time was generally approved. I think the officials who exercised those powers exercised them with moderation, discrimination, sympathy and efficiency. I say that now so that nothing I may say later would seem to be a criticism of the way in which these powers were exercised.

I would say further that if ten years ago anyone had been asked to read this bill and to consider the powers it represents, he would have been horrified. He would have said, "Surely we have not come to that; surely we have not to give this board the power to search, the power to arrest, the power to make inquiries of all kinds, not by police officers, not by the ordinary officers of the crown but by agents of this board?" In war time we accepted that. I ask again, and I ask it as earnestly as I am capable of asking: Is it necessary to commit ourselves indefinitely to powers of that kind in a time which we call peace?

It is interesting to observe—this was frankly stated by the witness before the banking and commerce committee—that, as is natural, these powers were built up and based on inquiries and examinations made of the various foreign exchange control boards throughout the world. It is natural and to be expected that they would look at the German board among others. I am not criticizing that, but I suggest to members of this committee that it is worth recalling that it was powers just such as these which enabled Doctor Schacht to exercise the powers which he did. I suggest that when we consider these powers we should consider them as such. We should not consider them merely as powers which are exercised by amiable and pleasant gentlemen who have shown great discrimination and moderation in the use of them, but as powers which may not always be exercised by those same pleasant gentlemen, which may some time get into the hands of people we may not find so agreeable and so pleasant and who may find these powers most convenient for purposes of their own.

I want to make the point that there has been virtually no relaxation or diminution in peace time of the powers which were contained in the wartime act. If there are any changes, they are trivial and of no consequence.

Briefly, let us look at the powers. I will divide them into two groups. There is the power over ordinary current account transactions, and there is the power over capital account transactions. The power over current account transactions, that is to say ordinary buying and selling between Canada and other countries, I think it is fair to say has been exercised in the least oppressive manner. Apart from the fact of getting permission and having to fill out forms, this power has been operated with as little inconvenience as possible. The board has the power to scrutinize and approve every transaction. What it exercises this power for is to make sure that transactions are genuine. An illustration given in the committee was that the board would not approve a transaction where some one wanted to buy a motor car in United States, and where obviously the price being paid was an inordinate one, one which would indicate that it was really concealing the export of capital. If you are going to have power at all, it is reasonable to expect that it would have to be exercised in that way.

The second power is over capital account transactions. In capital account transactions we have reached the point where the expert authorities whom we have set up have full control. I believe in experts as much as anyone, but I should like to quote a little jingle I heard the other day. Experts should be used for advice and not for control; experts should be on tap and not on top.

I want to come back to the experts, for whom as individuals I have great respect. The experts now exercise not only economic judgment but moral judgment or quasi-moral judgment on what the citizens of this country are doing. Let me give an illustration. If I am a manufacturer in Canada and wish to invest money in the United States to build a factory, other things being equal, the permission is likely to be granted. If the hon. member for Lake Centre wishes to make an investment in some stocks in the United States, it is almost certain that permission will be refused. I said to the experts, "Does not that mean that you are really exercising moral judgment?" I said to them, "I am more sympathetic to the idea that the man who wishes to invest money in the United States, if it is for the purpose, let us say, of building a factory there, should be permitted to do so, but I do not know whether a man who wishes to invest money there may not be doing just as useful an act." I could not possibly be sure, but this board is set up and it has power

to scrutinize such acts and to reach a conclusion. Again I ask hon. gentlemen to consider whether they wish to give an indefinite life to a bill which does that.

One more argument, in fact almost the greatest argument given by the witness before the committee, was that it was necessary to establish this control in order to carry out our obligations under Bretton Woods. That is a complicated and difficult question, and I do not propose to go into the details at the moment. I have tried to consider it as well as I can. I believe that view is a very narrow, limited and basically unsound view. If I understand Bretton Woods correctly, it is set up for the purpose of preventing depreciation in exchanges. My feeling is that our duty is to maintain stability and to argue that the foreign exchange control board is necessary merely for the purpose of carrying out our obligations under Bretton Woods is to me in principle unsound and untenable.

Mr. ABBOTT: I think he said that was only one of the reasons.

Mr. MACDONNELL (Muskoka-Ontario): With deference to the minister I want to say that I read the evidence the other day. I think it is correct to say that it was not stated to be the exclusive reason, but on reading the evidence I was surprised to find the extent to which it was based on that. My own feeling, for what it is worth is that a more basic reason is that probably our trade with the United States will be out of balance for the next months, and that at the present time until sterling is made convertible we are not able to settle our deficits in the United States with sterling balances.

In considering this question of financial control we are in danger of being lulled into a false sense of security. I think we are in great danger of not appreciating the importance of this bill. In the case of other departments I think we have clear evidence which will demonstrate that they hope that the controls will eventually be done away with. I think the Minister of Reconstruction and Supply (Mr. Howe) has indicated that, although sometimes I feel that he is building up new controls almost as fast as the old ones are done away with; nevertheless many of the old ones have been done away with. I think the same can be said of other ministers. I think that is because those departments have had a larger admixture of ordinary business men who have returned to their old occupations, and probably that has hastened relaxation of controls.

I submit to the committee that there has been no sign whatever of any disposition on the part of the Department of Finance to relax controls. I further suggest, that if this bill stays on our statute books for five years it will just rivet tighter all these fetters which we accepted as necessary during the war. There is another reason, and I put this forward with great earnestness and with great respect to the experts. What are the experts? Let us consider what they are. Let me say again that I think they are useful people. Those of us who are not experts, who must rely perhaps only upon common sense, are helped by the advice of experts but, I think in the last analysis decisions have to be left to men of common sense, and we hope men of some experience. Happily the experts are always divided. You are never left entirely alone when you disagree with some of them.

Here we have a situation where these people have had almost unlimited power for seven years. I ask any man in this house if he thinks it would be easy after he had had unlimited power for seven years, power which he feels he has exercised well, when he is much more articulate in talking about matters of finance than other people, to give up any of those powers? He would not give up a tittle of them. I made the suggestion—I do not know whether there was any great merit in it—that there should be a kind of token of a beginning of the restoration of a little freedom. But I was told that it would spoil the pattern, it would spoil the picture; there would be a little blur somewhere. That is the only thing I could make out of it.

I have great respect for the experts, but I think there is great danger in this. Experts believe that they are always dealing with exact things. Some experts are. If you are an expert in nuclear physics you can pretty well predict what will happen, although at Bikini the experts were not entirely in agreement. Generally speaking, though, they can predict exactly what is going to happen. But I charge that we have experts in finance who believe that finance is an exact science and that you can predict exactly what is going to happen there. I suggest to members of the house who are practical common sense business men that that is perfect nonsense, because it leaves out our good old friend human nature. I suggest that not in any partisan way, because this is far too important a matter to put it on any partisan basis. I have the hope that we may still persuade the minister to put this on an annual basis so that we can have another look at it, and I shall suggest later the reasons which I hope may be convincing. If we cannot relax it this year, when are we going to relax it?

Shall we repeal the act? Will the government want that? No. These are things that are being put out of the sight of parliament so that parliament will have no chance to consider them further. I am not enough of an expert on procedure to know how it could come up again next year.

Mr. ABBOTT: By refusing to vote the appropriation.

Mr. MACDONNELL (Muskoka-Ontario): With due deference, we do not get very far along that line.

Mr. ABBOTT: And you do not try very hard when it comes to a vote.

Mr. MACDONNELL (Muskoka-Ontario): That has not been a rewarding line of effort.

Now I want to say a word about the business community. I might be told that I am making a lot of fuss about nothing. The minister would not put it so crudely, but he might more delicately. He might fairly say: You are making a lot of fuss about this. But let us see what happened before the committee. Was the business community there to raise any questions? No; and I will tell you why they were not there—and this is perhaps the most important thing of all the important things that I have to say this morning. I will tell you why they were not there. First of all because business people do not like to come down here and say things that are unacceptable to the powers that be. The officials in the department have great power. I want to press that. I am not joking; I believe it with all my heart.

Mr. ABBOTT: It is an interesting observation, anyway.

Mr. MACDONNELL (Muskoka-Ontario): I believe it is a true observation, which is much more important. Let us look at the facts. Our national income has doubled over ten years. Why? Because the dominion government was in business, because more than half our business was government business. Is there any mystery, then, in saying that people are a little shy of coming down here and saying things that governments do not like? Just examine the extent to which government is in business of all kinds, and see how much the income of business, even of the banks, depends on the good will of the government and of the governor of the Bank of Canada and the financial authorities. That is as true as we are standing here. That is the first thing.

The second thing—and I want to be frank about this and say that this is not so creditable to the business community—is that along with others it has been lulled into a false sense of security. They have a helpless feeling, if you like, and perhaps there may be some excuse for it. At any rate they were not here partly because they were afraid, and partly because —I say this in the hope that they may hear it—they have not considered this seriously enough. The third reason—and this is perhaps still less creditable to the business community, but I will say it because I am trying to be a witness to what I believe to be the truth—is that there are some people in the business community who have rather liked controls. I should like to quote to them what I quoted this morning from the hon. member for Rosetown-Biggar. Free enterprise, do not let us forget, in spite of all that has been said against it, has done remarkable things. Those who believe in it have to accept what the hon. member for Rosetown-Biggar said. He said that if they are going to have the rewards, they must take the risks. I would reverse it and say that if they take the risks they must have some rewards. But at the present time a great many people are busy trying to arrange matters so that free enterprise cannot function, so that controls will damp it down.

Just let me repeat that. I want to say that if the business community were not here it was because they were afraid of this government's powers, and that is what power does. Those who exercise it, however sincere they may be, come to believe that ordinary people cannot look after their own affairs. I said to one of these experts, "It is really impossible for you to believe that ordinary people like ourselves can look after our own affairs." I am serious about that. If I had had that power for seven years I might feel as they do. They would have to jump out of their intellectual skins before they can believe we can carry on without their controls. They believe that they have greater wisdom and that they must tell us what to do.

An able lawyer made a remark to me that I think very interesting. He was a great cross-examiner and dialectician. He said, "You may think sometimes when I am examining business men that I am able to put questions about business that they cannot answer and make remarks about their own business which perhaps they could not make, and perhaps some people might get the idea that I knew more about their business than they did. But," he said, "I don't. A business man knows how to carry on his business. I only talk about it."

I come back and say that we have set up people over us who are highly articulate and who believe that finance is an exact science. They believe that ordinary people cannot be trusted to look after their own affairs. I know

the minister has been a lawyer and a business man, and I submit to him that he cannot deny that that is true.

I want to say just one word about one aspect of that enormous power which this group of men, highly regarded and highly respected, exercise. Sometimes I feel that I would not fear them so much if they were not so hard-working and respectable, if they were off wasting their time and the country's time. But I am afraid of men who have the power, and stay on the job exercising it all day and every day, and sincerely believe that they can do the job better than the people can run their own business themselves.

What is one of the powers we give to these men? I wish I had with me a book that was written by a distinguished financial authority, Mr. Graham Towers, now governor of the Bank of Canada, a book which was written in his unregenerate days when he was still an ordinary banker. In it you will find some interesting facts. It was written in those strange far-off days when the value of our dollar was fixed by supply and demand. I had hoped to have it here to quote from this morning. You will find what I have in mind at page 90 something.

What are we asked to do now? We are asked to allow foreign exchange—not to find its own level by supply and demand; and mind you supply and demand has made a pretty good job of it. Do not let anybody tell you that exchange was rocketing all over the place before it came under the control of these men, because it was only when the government stepped in and devalued the currency and stepped on and off gold that exchange began to fluctuate so widely.

We are asked now, first, to hand over to a group of men $1,500,000,000, and second, to give them an unlimited draft on the Canadian exchequer. Hon. gentlemen will see that is in the bill, and personally I think that is right if we approve the bill.

Mr. ABBOTT: The principle of the bill has already been approved.

Mr. MACDONNELL (Muskoka-Ontario): I am nearly through. I understood that we had certain rights in committee. I had intended to speak when the Speaker was in the chair but unfortunately he went too fast for me. We are asked to hand over this huge sum of money to these men—let us be clear about this—so that they may have this huge amount of money to spend to back their judgment as to what the rate of exchange should be. That is what we are doing, and do not let us have any doubt about what we are doing. We are given this amount, though not as of the present moment, because the figure we have is a few months late. However, that amount can be taken as approximately correct. It is a billion and a half, and a draft on the consolidated revenue fund to an unlimited amount to back their judgment as to what the level of the Canadian dollar should be. One of the members of the department said to me not long ago, "Doesn't the business community want a stable exchange?" I said, "Did you happen to notice that there was a ten-point drop the other day? That is not very stable." I am not criticizing that, but I am pointing out that if we are to look at it from the point of view of convenience of and assistance to business, it is not very helpful to go on at a certain level and then drop or rise ten points.

It has been suggested that a stable unfluctuating rate of exchange is desirable. It is, but does it look within the bounds of possibility as long as the world is divided into pockets controlled by independent governments? Is it not likely that the best that can be done is so to organize things that the variations in the rate between these currencies will rise slowly and not precipitately? Is it not true that the only way in which a constant rate of exchange between all countries can be maintained is by the constant matching of exports by imports? As has been said by Sir Josiah Stamp, "every import has an export order tied to it." Is not this a vital truth which those who undertake the impossible task of maintaining exchange stability by government ukase would do well to bear in mind?

I want to make in closing an argument for the limitation of time. I do not wish to repeat tiresomely what I said, but I should like to ask hon. members to bear in mind that if we leave this open, we must not imagine that it is going to be seriously considered every year. It is not going to be seriously considered every year. I will suggest some reasons why there is the strongest possible argument at the present time for giving this a one year duration and no more. First, I give the analogy of the emergency powers act, which is strictly limited as to time. I see no reason why this analogy should not apply. Second, I give the analogy, honoured by centuries of practice and principle in the British constitution, of the Militia Act. That comes back to parliament every year. Why? So that parliament can have control over that standing army which at one time was such a menace to liberty. Next I would like to say that an incident has occurred—I say this with great hopefulness to the minister—since this bill was introduced which I think is a very strong argument and, I hope, might be even a compelling argument,

and that is that the United States loan to the United Kingdom has been made, and under that loan the British have to undertake to make currency convertible on ordinary current account within a year. I want to make this point, which I believe is an important one. The real reason, in my opinion, why the government may be justified in some further extension of control is the danger of an unfavourable balance of trade with the United States. In the old days we settled it around the corner through sterling. Sterling, being now inconvertible, is not available, but if sterling becomes convertible within the year, if it becomes available on current account, that danger will to that extent disappear. So I say with great earnestness and some hopefulness to the minister that that is a very important reason which has suddenly emerged.

I want to say a word on relaxation of controls. I intend to advance two reasons, in the hope that the minister may change his mind and that we shall have in this bill a signal, a token that some day we really do want to get back to whatever measure of freedom we can. As you come to read the bill you will find that there are strict, hard restrictions on the right of a man if he changes residence from Canada to the United States to take any money with him.

Mr. ABBOTT: Capital.

Mr. MACDONNELL (Muskoka-Ontario): Capital, yes. The question was asked, suppose a man in Manitoba sells his farm for $15,000, and wants to go across the line to live and take the money with him; unless he can establish that he has, let us say, arthritis and cannot live in Manitoba, or that his wife's mother is ill or needs the family's presence in Dakota, or give some other reason which will satisfy the members of the foreign exchange control board, he cannot take his money with him. Now I suggested—I do not know whether it is a good proposal; there may be a better—as a kind of token or pittance of freedom,—could not the board fix an amount—I made it very elastic—say of ten or fifteen thousand dollars, which a man can take as of right; and I said, if they find that is too much, let them lower it later on. The figures we were given from past experience as to the amounts likely to be taken in that way were trivial, something like a million dollars or less, so there is no indication that the amount would be large. The minister kindly said that he would take it into consideration, and I was hopeful for the moment that this tiny scintilla of freedom would be left. But when we came to the end of the road the minister said, "it cannot be done."

I cannot remember the minister's exact words, but what he said in effect was that the government had to retain liberty of action; the government had to decide that. At any rate this is my interpretation, and this is what I mean by saying that when you get in the hands of experts you cannot blur the picture in any way; you cannot change the pattern, it is whole hog or none. They cannot afford to give that tiny relaxation because they would be admitting a wedge; they would enable us to come back next year and say, "Give us a little more; we got back a little bit of freedom last year, give us a little more this year", and that would not be good. So, having spoken so much longer than the minister approves,—

Mr. ABBOTT: Not at all.

Mr. MACDONNELL (Muskoka-Ontario): —although he is very generous in these matters, before I take my seat I want to reiterate that no one who does not want socialism should vote for this bill as it is now. I have some highly valued and respected friends who are socialists, and if they want to vote for this bill they are fully entitled to do so; but you cannot eat your cake and have it, and I say that no one who wants the return of freedom, no one who believes that we should try as soon as we can to let in such freedom as we can get—God knows it is little enough in this distracted world—nobody who does not make socialism his objective, who does not wish to travel along that path, should vote for this bill as it stands now.

I had an amendment here, but I am not quite sure whether this is the proper place to move it. May I read it, Mr. Chairman, and have you tell me whether I should move it at this time? I move, seconded by the hon. member for Kamloops:

That section 1 of the bill be amended by adding the following as 1(a):

"This act shall continue in force for not more than one year from the date of proclamation."

Mr. ABBOTT: I should think on that point that if such an amendment were moved it should come at the end of the bill. That is the usual place for a duration clause.

Mr. MACDONNELL (Muskoka-Ontario): Is that the chairman's view?

The CHAIRMAN: I would think that the proper place would be in connection with section 74, which provides that this act shall come into force on a date to be fixed by proclamation. I suggest that the hon. member for Muskoka-Ontario might move this amendment on that section.

Mr. FULTON: May I point out that the effect of the amendment, if it were adopted, would be in a sense to remove many of the objections which will be raised to the subsequent clauses of the bill as we come to them, and it might be advantageous to know now whether or not it will be accepted.

Mr. MACKENZIE: That is out of order. The amendment deals with the question of the duration of the act, and obviously it cannot be considered until we reach clause 74.

The CHAIRMAN: With reference to the remarks of the hon. member for Kamloops (Mr. Fulton), the considerations he has mentioned have no bearing upon procedure. I am asked by the member for Muskoka-Ontario a question with regard to procedure, and it is my opinion that the amendment should be withheld for the time being and moved when we come to section 74. Is that agreeable to the hon. member for Muskoka-Ontario?

Mr. MACDONNELL (Muskoka-Ontario): I bow to your ruling, Mr. Chairman.

Mr. BOUCHER: I suggest that we might save time if we were to allow the preceding sections to stand and have that section called now and the suggestion disposed of.

Mr. MACKENZIE: Certainly not. We will go ahead with the bill section by section in the usual way, according to the custom of parliament.

The CHAIRMAN: I take it that the hon. member for Muskoka-Ontario has the leave of the committee to withdraw the amendment.

Mr. MACKENZIE: No. Let it stand for the time being.

The CHAIRMAN: I simply wish to be sure that the amendment stands for the time being and is not under consideration as an amendment to clause 1.

Mr. MACKENZIE: That is right.

Mr. ABBOTT: I might reply briefly to one or two comments made by the hon. member for Muskoka-Ontario. In the first place, the principle of the bill with reference to exchange control was approved when second reading was voted two or three weeks ago. Now there are only three ways of handling international exchanges. One is—

Mr. HACKETT: Will the minister permit a question?

Mr. ABBOTT: I would rather finish the statement I am about to make. However, if the hon. member wishes to put his question I will try to answer it.

Mr. HACKETT: I merely wanted to ask the minister whether it is fair to say that the principle of the bill was accepted. I think he will find it was stated that the bill should be referred to committee and that the house would then be in a better position to consider the actual method proposed.

Mr. ABBOTT: My hon. friend is wrong in that, because it was suggested that it should be referred to the committee before the principle was adopted and exception was taken to that proposal by the Minister of Finance, and second reading was given in the usual way approving the principle of the bill. The hon. member for Muskoka-Ontario, in the committee itself, has not challenged the necessity of some measure of exchange control, so that I think we may take it for granted that some form of exchange control has been approved by the house.

I was about to say that there are only three ways of handling exchanges. The first is to return to an unrestricted gold standard, the law of supply and demand, and no one has risen in this house and suggested that we should do that to-day. No country in the world is able to do it, with the possible exception of the United States, and I have heard no one suggest it. The second method is that which is proposed here, the method of exchange control, and that is the method, I may tell the committee, which is in force I believe in every modern country to-day—every industrial country, with the exception of the United States. Apart from that, I know of no country which is not adopting the exchange control method. The third method is what is known as the operation of an exchange equalization fund whereby a country sets up a fund to buy and sell foreign exchange. That is the third and last method, and I say to the committee that one of these three courses must be followed: free market, exchange control, or exchange equalization fund. This house has adopted the principle of exchange control.

My hon. friend has said that no one should vote for the measure as it stands who does not approve of socialism. Well, no one should have voted in approval of the Bretton Woods agreement who does not approve of socialism, because when the agreement came before the house for approval it was approved by my hon. friends opposite; and I do not need to tell them—I might have to tell some of them but not the member for Muskoka-Ontario—that the Bretton Woods agreements imply a very definite measure of exchange control. I make that as an assertion and I do so without fear of successful contradiction. Now I am not going to argue to-day—

Mr. MACDONNELL (Muskoka-Ontario): If the minister will permit me, while I am sure I cannot contradict him successfully, I wish to call his attention to the fact that I do not accept that statement.

Mr. ABBOTT: I would not expect my hon. friend to accept, but that is beside the point. As I say, I am not going to stand here to-day and argue the necessity of controls. That question has been argued *ad nauseam* as far as I am concerned, and I believe the great majority of the people of the country recognize that a measure of control is still needed. I repeat, I am not going to argue that point again to-day; nor am I going to go into any extended defence of those whom my hon. friend has referred to as experts. He has dealt in his usual charming way, and in broad general terms, with the way the experts are running the country.

Mr. JACKMAN: Hear, hear.

Mr. ABBOTT: The member for Rosedale says "hear, hear." That, too, was to be expected. Let me say, however, that I have had some limited experience in the last four or five years—I emphasize that word "limited"—with the way in which national affairs are run, and I say to the committee that this country is not being run by "experts."

Some hon. MEMBERS: Oh, oh.

Mr. ABBOTT: The hon. member for Halton suggests that I should amend my statement by adding the important qualifying "the"—the experts. What I meant of course was that the country is not being run by experts in the sense in which the member for Muskoka-Ontario used that term. In matters such as foreign exchange control and others, I believe profoundly that it is necessary to obtain the advice and assistance of the best experts one can get in these complex questions, and having heard that advice, if it commends itself to the judgment of those who have the responsibility of taking decisions, then I say the advice should be followed. That is what has been done in this case.

I do not know that it would be appropriate for me to discuss at this stage the question of putting a time limit on the bill. I shall be glad to discuss the matter when my hon. friend's amendment, which has been allowed to stand, is before the committee. I dealt with it fully before the banking and commerce committee, as did my hon. friend, and there I gave reasons why the government felt it would be inadvisable to fix a time limit or duration after which the bill would expire. However, I shall deal with the question more fully when we come to the section.

Mr. QUELCH: I had not intended saying anything at this time, but after listening to the remarks of the member for Muskoka-Ontario I feel impelled to say a few words on the bill. I pointed out on a previous occasion that this group supported the measure because we believe that a foreign exchange control board is necessary to the welfare of Canada. To my mind the only people who have any need to fear a foreign exchange control board are those who indulge in speculation in foreign exchange. They are the only ones who might oppose it. The people who make a living by gambling in foreign exchange will be opposed to the measure because the only thing they do is for themselves and not for the good of the country.

We supported the bill on second reading, and after listening carefully to statements made by Progressive Conservatives in the committee, I do not think they advanced any views which will induce us to change our opinion. The member for Muskoka-Ontario has said he does not think the bill would have passed ten years ago. Many changes have taken place in the past ten years, and one of the greatest was the change that occurred last year when we became a party to the Bretton Woods agreement.

What amazes me is the fact that the member for Muskoka-Ontario criticizes this bill on the ground that we are setting up a foreign exchange control board for an indefinite period and that we shall have a bunch of experts working there. The important point is that parliament will exercise control over that body. The experts can be put out of operation at any time it is felt desirable to remove them or to amend the regulations. Last year when we set up the Bretton Woods agreement the Progressive Conservative party supported it, though we were setting up a bunch of international experts, putting them in for an indefinite period of time, responsible to no one, responsible to no court of the land, and not even responsible to the international court of justice. We did not hear any criticism at all from that party concerning that fact. I believe the foreign exchange control board will be needed as a permanent institution in this country. As the international situation improves we may be able to modify the regulations until they will operate in such a way as not to inconvenience the average ratepayer of this country.

I should like to deal with just one last point. The hon. member for Muskoka-Ontario said

the only people who would support this measure would be socialists. Let me point out to the hon. member that unless we stop the abuses of capitalism we are going to have socialism in this country.

Mr. IRVINE: I can hardly avoid saying a word or two on this matter, inasmuch as the hon. member for Muskoka-Ontario made special reference to this party, and indeed to myself, which I appreciate. However, the minister and the hon. member for Acadia have so completely answered the hon. member for Muskoka-Ontario that perhaps it is not really necessary for me to say anything at all. The hon. member hitched his opposition to this bill to his contention for private enterprise, and went on to quote the hon. gentleman who leads this group as having gone on record in favour of private enterprise. I was looking up the reference from which I believe the hon. gentleman quoted, and I think I should repeat exactly what was said in order that there may be no misunderstanding. I am quoting from page 4099 of *Hansard* for this year:

> We are not opposed to private enterprise, but we demand that private enterprise shall take the risks if it takes the rewards.

Of course we are not opposed to certain kinds of private enterprise.

Mr. MACDONNELL (Muskoka-Ontario): Will the hon. member permit me to say that is exactly what I quoted?

Mr. IRVINE: I agree.

Mr. MACDONNELL (Muskoka-Ontario): I thought the hon. member was correcting me.

Mr. IRVINE: No, I am not correcting the hon. gentleman; I am giving the setting in which that remark was made. Perhaps I should quote the rest of it:

> In the second instance, we are proposing as a federal parliament to give complete exemption to the mining industry for three years. Those are two entirely different propositions. We are not opposed to private enterprise, but we demand that private enterprise shall take the risks if it takes the rewards.

The hon. member for Rosetown-Biggar was obviously indicating that his opposition to what was proposed by the government in respect to mines was on the ground that it was removing the risks from private enterprise yet permitting private enterprise to go away with the rewards, and he is opposed to that. That was his argument. Of course there is private enterprise in socialism. I shall not take the time now, but some day I will indicate to my hon. friend that he has no monopoly over any virtue there may be in private enterprise. We want to see every person private enterprising, but for what? For private gain? No! We want to see them, on the contrary, private enterprising for the good of the state, the good of the nation, the good of the community. That is the private enterprise we are bound to support, and we do support it. So I think that part of my hon. friend's argument should be amply answered by that statement.

Mr. FLEMING: It is not so.

Mr. IRVINE: I do not suppose it ever would be to the hon. gentleman who made that remark. There are reasons for that, too, which perhaps I had better not go into now.

As has been pointed out, the principle of the bill was accepted by this parliament, and the bill was referred to the banking and commerce committee. We considered it very carefully; we heard all the opposition that flared forth in the evangelical eloquence displayed by the hon. member for Muskoka-Ontario this morning, but we found no reason to change our views in support of the measure.

The hon. member has raised the question whether power under this bill should not be fixed for a certain number of years, or whether it should be unlimited; "indefinitely" and "unlimited" were the two terms he used. Anyone knows that if you are going to carry out the object of this bill there are certain powers that go with that objective and which cannot be separated from it. There is no reason why we should be afraid of power. That power, finally, is in the hands of this parliament, and we are simply allowing a department to exercise an amount of power sufficient to do a certain job we have already said we want done. If you restrict that power, then the job will not be done; for every relaxation my hon. friend asked for in the committee would have left this bill of no effect, and would have allowed those who wished to do so to deal in exchange for private profit, to despoil the instrument which must be used by any nation in doing business.

As to the time limit, as the minister said that can be discussed later; but I should think the hon. member for Muskoka-Ontario is badly mistaken if he believes we are ever going to return to what I have no doubt his party would regard as "normalcy." There is no such return; there is no such normalcy. As long as it is necessary to use an instrument of exchange I do not believe the nations of the world ever again will release that important instrument to the tender care of money mongers. I believe we have come to the end of that period. Whether it would be advisable

to have this bill passed each year, just as a matter of form to please the hon. member for Muskoka-Ontario, is a matter for the minister to settle.

The hon. gentleman objected because he thought that in certain cases those adminstering the act would have to make what he regarded as moral judgments, as to whether this thing should be done or not; whether or not this grandmother should be allowed to go to Detroit to visit her daughter, and so on. Well, I do not know that there is any particular morality about such a decision, but if there is, I think it would be far better for us to have somebody to exercise a moral judgment than to leave it wide open for the immoral practices which would most decidedly ensue were no such safeguards as these placed upon our exchange. The hon. member knows this, but I wish to make the point clear: It is essential to protect the monetary instrument of a nation, not only in the interests of socialism but in the interests of free enterprise. I do not know of anything more likely to destroy the free enterprise my hon. friend so much admires than to allow over-enthusiastic free enterprisers to upset the value of currency. This, really, is the very thing he wishes to protect, so far as that goes, and I am quite aware of it. I am not supporting this measure merely because I am a socialist; I support it because it is the intelligent thing to do under any system, whether it be one of private enterprise or one of socialism.

If I am not mistaken in his words, the hon. member said that the old uncontrolled system had done very well—or made some similar observation. I would refer the hon. member to the years which immediately followed world war I, when we had no such control, and when the bankers were the experts, if you like, who did the controlling. Although I am not certain as to the year, I believe it was in 1924 when, on the advice of our banking experts who had full control of all our financial instruments, Canada went back to the gold basis, and by doing so, we literally doubled our debt. Farmers had borrowed money when the dollar was worth about 55 or 60 cents. By going back on the gold basis they had to pay for 50-cent dollars with 100-cent dollars, and they had to pay it back with much smaller prices received for their wheat. That one simple act, taken on the advice of the financial experts of that time, plunged Canada, as it had plunged every other nation in the world, into the greatest depression history has ever known. That is how they did it. But those who manipulate money can turn either deflation or inflation to their advantage, and they exercise their greed for profit by doing either when it suits their purpose.

I should like to say one word respecting what was said by the hon. member in winding up his speech, when he contrasted what to him were the objectionable restrictions in the bill with what he calls freedom. After all, that is just a word; we all use it. I am afraid many of us do not put much meaning into it when we use it. I must not now enter into an exposition of freedom; but I say simply this, that to use that word and to fling it at the House of Commons, as if security were being violated by this measure, is simply preposterous and ridiculous. It is not worthy of my hon. friend. There must of necessity be certain restrictions in this and other lands if we are to have any freedom at all. Apparently what my hon. friend regards as freedom is a thing which has robbed most people in this country of any freedom at all.

Mr. HAZEN: I should like to place myself on record with respect to this legislation. Earlier this morning the hon. member for Muskoka-Ontario (Mr. Macdonnell) said that no one in parliament should vote for this bill lightly. I agree thoroughly with those remarks.

The purpose of the bill, we are informed, is to stabilize exchange and have our foreign exchange resources used to the best advantage. It will undoubtedly take some time for the business of the world to return to normal conditions after the upheaval of war, and a stabilized exchange would, I believe, assist in restoring the flow of goods and services between Canada and other countries.

I am not a financial expert, nor have I had any experience in international trade; consequently I am not in a position to make constructive suggestions which would further the purpose the government has in mind. But what strikes me about the bill is this, that it was promoted, planned and drafted by men whose minds were so centred on currency and exchange that they overlooked the rights and liberties of the citizens of this country.

This bill, if it becomes law—and it will become law in its present form unless members on the government side take exception to some of its provisions—sets up a board of civil servants to buy and sell exchange at rates they will fix, to supervise and regulate the business transactions of our exporters and importers—

Mr. ABBOTT: I know my hon. friend does not wish to be inaccurate. The board does not fix rates of exchange; the government does that.

Mr. HAZEN: They are fixed by the government on the advice of the board—

Mr. ABBOTT: Not necessarily.

Mr. HAZEN: —to supervise the business transactions of our exporters and importers, and to control the assets and in consequence the movements of everyday people of this country. It is by this means that the government proposes to control the rate of exchange.

The bill is not limited in time to the transitory period from war to peace. It sets up a controlled economy in currency, securities and the export and import of goods for an indefinite period.

I favour a stabilized exchange during the transitory period from war to peace, if it can be brought about without interfering with the rights and liberties of the everyday people of this country: I believe it should be possible to enact legislation which would achieve that end. But if it is impossible, and that end can be achieved only by depriving the people of this country of the control of their property, and as a result, of their movements, as this bill does, then I am opposed to a stabilized exchange.

I hold the view that the people of Canada should have the right to do what they like with what belongs to them, provided that they do not interfere with the rights of other people. If this bill becomes law it will deprive them of many of the rights they possessed prior to the war.

Among other things the bill provides in section 25—and I am by no means giving a complete list—that no person in this country shall export any property from Canada without permission of the board.

In section 26 it provides that no person in Canada can import any property into Canada without permission of the board, but the board is not to withhold its permission to export or import when a fair value is being paid for the goods in a currency approved by the board.

By section 27 it provides that no person in Canada shall sell or assign his securities either inside or outside of Canada to any person who is not resident in Canada, unless he gets permission from the board.

It provides that no person in Canada can purchase any securities either outside or inside of Canada from a non-resident unless he gets permission from the board.

It provides in section 29 that any Canadian who owns securities outside of Canada must bring them into Canada when ordered by the board.

It provides in section 31 that no person residing in Canada can set up a trust fund, except by will, without obtaining permission from the board.

It provides by section 31 that no person in Canada shall assign or deliver to a non-resident any property situated in Canada or elsewhere, and no person residing in Canada can give any property to a non-resident without a permit from the board.

It provides by section 32 that no person in Canada may render any service to a person residing outside of Canada without authority, but must charge him and obtain payment within six months unless he obtains a permit from the board.

It provides by section 49 that the board can prohibit any person from exercising any control over his own property whenever it sees fit.

It provides by section 51 that the board can compel a person to transfer his property to a trust company, the costs of that company being a first charge on the property.

Let me give a few examples of the power the board will have under this bill if it becomes law in its present form. If you or I have a relative or friend in dire need living outside of Canada, in Ireland, Great Britain, the United States or some other country, whom we want to help and whom before the war we could have helped without asking permission of any one, under this bill we cannot help that person unless we get a permit from the board.

If you or I want to go on a trip to the United States or any other country, before leaving Canada we must present ourselves before a customs officer and answer all the questions that may be put by him relating to the property we are taking with us. If the customs officer does not believe us and thinks we have other property concealed on our person, he may search us and he may search our luggage. He has the power to arrest and seize and detain our property. Those provisions are contained in section 48.

If you or I want to leave Canada for an indefinite period and go to Australia, Scotland or any other country, either within or without the British commonwealth and empire, we cannot take with us what belongs to us unless we get a permit from the board. If we happen to be people of some means, that permit will probably be refused and we shall not be able to take with us what belongs to us.

If a farmer sells his farm with the intention of moving to the United States and going to work there, and the United States immigration authorities have given him permission to enter the country, the board will not pre-

vent him from going but they will refuse in most cases to let him take with him what belongs to him if it amounts to over $5,000.

If, for what we consider good reasons, you or I have certain securities deposited outside of Canada the board can order us to bring them into Canada.

If you or I have a friend outside this country to whom we are under an obligation, we cannot render him a service or do any work for him without making him pay us for it within six months unless we obtain a permit from the board.

The long and the short of the matter is that this bill deprives the people of Canada of the right to control their own property and places that control in the hands of a board of civil servants.

Mr. ABBOTT: Only as to property they want to take out of the country or bring in.

Mr. HAZEN: Not at all.

When the war broke out the majority of the people in this country did not object to a curtailment of their freedom and liberty under the powers conferred upon the government by the War Measures Act and later by the National Resources Mobilization Act. The people believed that the government should have extraordinary powers while Canada was fighting for its existence. The war is over now, and these dictatorial powers should end. But instead of being brought to an end they will be perpetuated if we pass this bill.

The board to be set up under this bill is to take the place of the foreign exchange control board, which was established by order in council early in the war. It is being given practically the same dictatorial powers that that board possessed. According to section 11 the board will consist of six high-ranking civil servants. We are told that these men would not think of exercising the great powers conferred on them unreasonably or harshly, but would use the best judgment and tact in the exercise of the extraordinary powers that are being conferred on them. The only way in which we can form an opinion of how they will conduct themselves is to recall how they have conducted themselves in the past. I propose now to give a few instances—perhaps the hon. member for Muskoka-Ontario never heard of these—of how the present board and its two hundred or so satellites have carried on their duties.

This board has seized the money of many innocent people who live near the international boundary line. A Canadian Pacific employee, who lives at McAdam Junction, New Brunswick, and who does most of his work in the state of Maine, addressed a letter containing about $20 to a relative living in Maine who had assisted him when there was illness in his family. This money had been earned in the United States by a man who worked in the United States, but the letter happened to be mailed from a Canadian post office to a person living in Maine. The money was seized and it has never been returned.

The president of a large United States corporation who was in Vancouver on business was unable to pick up a coat that belonged to him because of the hurry to catch a train for home. He asked a friend whom he knew would be in his town in the course of a few days to bring the coat with him. The friend got the coat and put it in his valise, but he removed a bill-fold which he noticed was in the pocket. He was asked by the Canadian customs officer about the money he was taking to the United States and he gave them the particulars. The customs official asked him what was in the bill-fold, and he said he had not looked at it, that he was taking it to a United States friend who had left it in Vancouver. It was opened and was found to contain, if I remember correctly, $80 in United States funds. The customs official confiscated it, but when the owner heard of what had happened he telegraphed to the state department in Washington and the money was returned. But the railway conductor in McAdam Junction has not got his money back yet.

A young boy living in New Brunswick near the Maine border earned $90 by working in the potato fields. This was the first money this boy had ever earned. The evening he arrived home with it one of his friends suggested that they drive across the line to the state of Maine which was only a few miles away. When he got to the border the $90 was seized.

An old man living near the border who was in the habit of passing from New Brunswick to Maine had about $90 seized. A member of parliament who approached the Minister of Finance on his behalf was informed by the minister that the regulations were not intended to be used in this way and that he would take up the matter with Mr. Graham Towers, the chairman of the board. A few days later the Minister of Finance informed the member that he had seen Mr. Towers, who said that they had taken money from so many people—this is the effect of his words I am not quoting them exactly—that if they paid it back to one they would have to pay it back to all and it might lead to complications. The

minister added that he did not care to interfere with the work of the board. That is the way this bureaucratic board carries on. Money was taken in this way from many innocent people and in some cases it has not been returned to them.

There was a case in New Brunswick to which I would direct the attention of the committee. One morning a woman set out for the bank with $300 for the purpose of paying a note which was due that day. When she got to town she found that the bank had not opened, so she proceeded to visit her daughter. Her daughter suggested that they drive across to a town in the United States which was only a few miles away. When they got to the border the $300 was seized by the Canadian officials. Later that day the woman reported the seizure to the manager of the Royal Bank of Canada where the note was due, and the manager said he would write to Ottawa. The woman never got her $300 back, but it was sent by the board to the branch of the Royal Bank of Canada to pay off the note. The fact that the chairman of the board was at one time in the employ of the Royal Bank of Canada is a mere coincidence.

Mr. ABBOTT: I think that is a most unfair suggestion to make, and I take strong exception to it.

Mr. HAZEN: It is the fact.

Mr. ABBOTT: My hon. friend is bringing up a lot of isolated cases which he could well have brought up in the banking and commerce committee where we could have investigated them, but I am not quarrelling with that. The implied reflection on Mr. Towers I think is quite unjustified.

Mr. HAZEN: I am not bringing up a lot of isolated cases. I am bringing up only a few.

Mr. ABBOTT: Cite all the cases you like. I only take exception to the reflection on Mr. Towers.

Mr. JACKMAN: No one is perfect.

Mr. HAZEN: I was informed that it was not until a man named Tom Kennedy, who had had money seized in the province of New Brunswick by the board's officials, appealed from the magistrate's ruling to the county court and the judge of the court decided in his favour that the board started to pay back the moneys which it had seized. The facts in this case are not without interest. When the county court judge decided against the board and ordered the money paid back, the officials of the board felt outraged and at once gave notice of appeal to the supreme court. But they found when they got into court that there was no appeal. To overcome this difficulty they had the government pass an order in council and then appealed the case again, but they did not get very far with the matter when it came before the chief justice of the province of New Brunswick. I think we should be thankful that there are judges in this country who are willing to protect the rights of the people against the actions of these bureaucrats.

Mr. ABBOTT: Would my hon. friend object to giving the names here so that we can look into the case?

Mr. HAZEN: I mentioned the name—Tom Kennedy.

Mr. ABBOTT: That was the first name the hon. member mentioned. I do not insist, but I should be glad to have the names in these cases.

Mr. HAZEN: I am going to give one or two more instances. A man wanted to go to the United States to have an emergency operation. His brother, who was to accompany him, went to the bank for the purpose of obtaining United States funds. The bank hesitated, but on being informed of the emergency and knowing the applicant well, furnished him with $1,000. In due time the manager of the bank received a most discourteous letter from the board censuring him for advancing the money without obtaining permission. The fact that time might have been a matter of life and death did not enter into their calculations.

A farmer living in Maine, knowing that three of his neighbours across the line in New Brunswick were going to Saint John, asked them to get him some rope that he badly needed. They got the rope in Saint John and paid a small amount for it. They declared the rope to the United States custom officers and paid the duty. Later they were summoned by the board before a magistrate for taking this rope into the United States without obtaining a permit, and each of them was fined $300 and costs.

Mr. ABBOTT: What was wrong with the magistrate?

Mr. HAZEN: What is wrong with the board? What is wrong with this board will be wrong with the new board too. Most of the powers which the board now has will be retained if this bill becomes law, and we have no reason to suppose that the new board will exercise their powers any differently in the future from what they did in the past. If bureaucratic government is to continue, if we

want to set up a new form of despotism, all we have to do is to pass this bill in its present form.

Under our constitution property and civil rights are a matter for the provinces, and I doubt very much that parliament has the power to pass an act of this kind, despite the opinion—and it was a vague opinion, if I may say so, not backed up by authority—of the justice department.

I want to point out that when a Canadian citizen goes to the board, hat in hand, for a permit to do this or to do that, the board in granting or refusing the permit is not governed in most instances by any law that parliament has passed, but acts as it sees fit.

The members of this house were elected by the people in their constituencies to make the laws, and we are responsible to the people who elected us for what we do here when the next election comes round. But if we pass this bill and give powers to the board to make the laws under which it grants or refuses permission, if we place in the hands of the board powers that were given us under our democratic form of government—

Mr. ABBOTT: No, we do not do that.

Mr. HAZEN: —we allow the board to make the laws of the country—

Mr. ABBOTT: It is nothing but an administrative body.

Mr. HAZEN: —and we are negligent in our duty and degrading our democratic system of government.

I would refer for a moment to the report made a year or two ago by the committee on civil liberties of the Canadian Bar Association. The report says:

> Laws should be enacted by parliament directly. The essence of democracy is that people govern themselves through their fully chosen representatives . . . The delegation of legislative power is not in the spirit of democratic institutions, the purpose of which is that the people's elected representatives alone shall make the laws . . .
>
> Governments that try to place in the minds of the people the same respect for orders and regulations of delegated bodies as for public laws of parliament simply degrade the whole system to the level of dictatorship.
>
> Parliaments, in introducing into democratic institutions the methods of dictatorship, render democracy odious to the people, who, in consequence, will be thrown into all sort of novel theories and political systems, hoping thereby to escape despotism, which they abhor.

Mr. IRVINE: What is my hon. friend quoting from?

Mr. HAZEN: I am quoting from the report of the committee of civil liberties of the Canadian Bar Association.

[Mr. Hazen.]

Mr. MACKENZIE: What about the Marketing Act passed under the Bennett government, of which my hon. friend was a supporter? It was the most vicious piece of legislation ever passed.

Mr. STIRLING: The best act ever passed.

Mr. HAZEN: I did not hear just what the minister said.

Mr. MACKENZIE: Talk about parliamentary control! What about that Marketing Act?

Mr. HAZEN: Let me refer now to another feature of this bill. It gives the members of the board and its employees protection from our laws but it deprives the people of Canada of the fundamental principles of British justice. This bill sets up one system of justice for the members of the board and its employees, and another system of justice, or injustice for the people. It introduces a system of jurisprudence that resembles in some respects that which prevails in some European countries and is very different from our own.

Mr. ABBOTT: Which section is my hon. friend referring to there?

Mr. HAZEN: I am just coming to the section. While the board and its employees are given extraordinary powers over our property, and in consequence over our lives, no adequate safeguards are provided to prevent them from using those powers recklessly or without respect to the rights of the people. On the contrary, the bill contains provisions to protect the members of the board and its employees if they abuse their powers.

Let me give my reason for saying this. The bill provides in section 54 that no action, suit or proceedings shall be commenced against any member of the board, inspector, employee or representative of the board, or authorized dealer or agent of the board for any wrongdoing in the exercise of their duties until one month after notice in writing has been served on the alleged wrongdoer, stating the cause of action and giving other particulars.

Mr. ABBOTT: There is an identical provision, as my hon. friend knows, in the Customs Act. It has been there for many years.

Mr. HAZEN: That does not make it any better. If this notice is given—and may I say it is quite contrary to our usual court proceedings, where the writ of summons is the notice—then the bill provides, section 54, subsection 2, that when the judge tries the case he shall award nominal damages only, without costs, if he certifies—and why and how the word "certifies" is used I do not know—

that the defendant acted upon probable cause, or that the defendant acted in good faith in carrying out verbal instructions of the board or an inspector. If that does not open the door to a great deal of abuse—

Mr. ABBOTT: There is nothing new in the section. It has been in the Customs Act, and it has been in the criminal code, protecting public servants, for years.

Mr. HAZEN: I refer now to section 44. A judge on an ex parte application can authorize a member of the Royal Canadian Mounted Police and another person to enter and search if necessary by force any building for property which he has reasonable grounds for believing is liable to forfeiture, and seize property and carry it away if he finds it, and detain it from the lawful owner for ninety days, while the board makes up its mind if it will prosecute the owner. If the board decides not to prosecute, the property will be returned, I assume, but no compensation is provided for the owner.

If a search is made and no property is found, if the officer, inspector or person had reason to suspect that property liable to seizure would be found, he shall not be liable to any prosecution or action on account of any search or detention of property, although he may have used force, as he is given the right to do, and in consequence done damage, committed assault, or committed trespass.

Mr. ABBOTT: The same provision is in the Customs Act.

Mr. HAZEN: That does not make it any better. That is a pretty poor answer, it seems to me. Laws of this kind, I have no hesitation in saying and I do say, put the subject at the mercy of the police and pave the way for wrongdoing and abuse of power by civil servants.

Now let us see how the bill proposes to treat the people who are arrested by the board or its officials, with or without warrant, or are charged with violating any of its provisions or the regulations that are made by the board when they are dealing with their own property.

The bill says that no prosecution shall be commenced without the consent of the attorney general, and if this were so it might ameliorate to some extent the harshness of the legislation, although the right to lay a charge should not be subject to the permission of the executive. But the bill does not so provide; for it goes on to state that a person can be arrested and put in gaol notwithstanding the consent of the attorney general is not obtained, and then it goes on to say that no further proceedings shall be taken. Well, you go pretty far when you put a man in gaol, and it does not help him much to provide, after you get him there, that no further proceedings shall be taken without the consent of the attorney general. I regard those provisions as most objectionable. A man can be arrested and locked up, and I presume he will remain in gaol unless bail is provided, until the board sees fit to notify the attorney general, and until the attorney general, who may be on his holidays, sees fit to consider the matter. If he decides that the man should not be prosecuted, that there were not good and sufficient grounds for his arrest, the accused apparently has no relief for the wrong he has suffered and the bill does not provide how he is to get out of gaol. If on the other hand the attorney general decides that the prosecution should continue, not that it should be commenced, as the bill states, the bill provides that the judge is to presume that the accused did not have permission from the board to act as he did or had not been exempted by the board from doing as he did. The burden of proof is put on the accused to prove his innocence.

Now, sir, it is a fundamental principle of British justice that a person is presumed innocent until he is proven guilty, and that the crown must prove the guilt of the accused, and that the accused must have the benefit of every reasonable doubt. These principles have been justified by long experience throughout the years.

Mr. MACKENZIE: Read the Marketing Act.

Mr. HAZEN: They were made not to protect the guilty but to protect innocent people. But this bill changes all that, for it provides that the burden of proof is on the accused to show that he had permission from the board to do what he did.

Mr. MACKENZIE: You started that in 1932 with your Marketing Act.

Mr. HAZEN: I was not here.

Mr. MACKENZIE: Well, your party.

Mr. HACKETT: Remember the fate of those who perpetrated the bill of 1932.

Mr. STIRLING: And it was not 1932.

An hon. MEMBER: The same fate will occur to them. Do not worry.

Mr. HAZEN: The persons who drafted this bill took every precaution to safeguard themselves and to deprive the people of this country of the principles of British justice.

This bill will set up a board of civil servants, who are not responsible to the electors of this country, with powers to tell the people what they can do and what they cannot do with their own property; it will protect the members of the board and their officials and employees from the laws of the land, while depriving the people of some of the fundamental rights of British justice.

Mr. MACKENZIE: It is the same in the Marketing Act, passed by the Tory party.

Mr. STIRLING: Parrot.

Mr. HAZEN: I am opposed to principles of that kind. We have been told that the desire for money is the root of all evil. Evil has, it seems to me, developed another root, and that is the desire of the government to control exchange by setting up a board of this kind.

Mr. MACKENZIE: "Consistency, thou art a jewel."

Mr. HAZEN: If this bill becomes law it will be a great stride towards centralization, socialization and Stalinization in this country.

Mr. ABBOTT: Mr. Chairman, again we seem to be discussing the principle of the bill in committee. The principle has already been approved. I am not going to reply to my hon. friend on the points which he has raised particularly about this bill, including the Stalinization of Canada. I think that is utter ignorance, it is one of those nice phrases which reads well in the newspapers but does not mean very much if you analyse it.

Mr. JACKMAN: That is a matter of opinion.

Mr. ABBOTT: If you are going to control exchange you must provide the necessary control measures, and that is all we are attempting to do with this bill. No one regrets any more than I do the necessity of having to control foreign exchange. But I am profoundly convinced that it is necessary, and I do not believe my hon. friend's party will take the stand that exchange control is no longer necessary, although some individual members would appear desirous of giving that impression.

As to the various individual cases which my hon. friend has cited, he has given almost no names, and of course it is not possible for me to check them. If he will be good enough to give me names I will see that they are looked into. I will not suggest for a moment that in the administration of this difficult control measure during six years of war there were not some mistakes and some injustices, but my personal experience was that the board functioned very efficiently. Not only did it function efficiently, but it functioned to the general satisfaction of the business community and, as well, of Canadians as a whole.

The hon. member for Muskoka-Ontario paid a well deserved tribute to the manner in which the board was administered during the war. The member for St. John-Albert attacks the methods followed by the board. That is his privilege, but I suggest that it would be much easier for me and for the board to investigate special cases if he would give us names, or if he had given them to us when the bill was being considered in the banking and commerce committee. After all, he has given an ex parte statement, and my experience as a lawyer has been that there are always two sides to a case. I venture to say that if the cases he has cited are looked into, it will be found that in the great majority of them there was a good reason for the action which the board took.

I do not know that there is anything else I can add. We have been discussing the details of the bill on the first section, and possibly it is desirable that we should have a general discussion now, because the individual clauses were considered in detail by the banking and commerce committee and every gentleman opposite who has spoken so far was a member of the committee, so that all are familiar with the points which were brought up there. Apart from that, I have no particular comments to offer on the remarks made by the hon. member for St. John-Albert.

Mr. HANSELL: I do not wish to discuss the principle of the bill, but I should like to ask one or two questions, and this is the only place in which I can put them. I believe we are pretty well prepared in this corner of the house to adopt the measure. It was gone over thoroughly in the banking and commerce committee, on which this group was represented by the hon. member for Peace River, the leader of this party (Mr. Low), the member for Lethbridge (Mr. Blackmore), and the member for Acadia (Mr. Quelch). I believe they put on the record fairly well the stand of this group, and they are men in whom I have great confidence in matters of this kind. Moreover, the member for Acadia spent about forty minutes on the second reading of the bill, making some observations that were satisfactory to the group.

The questions I wish to ask arise out of a communication I received not long ago, and the minister is of course well aware of

the situation which existed and which called forth this letter. When the exchange rate was changed, on July 5, I believe it was, quite a few individuals suffered great loss in money they received from other countries immediately following the change, and the person to whom I have reference particularly suffered in connection with a money transfer in sterling from Scotland. The transfer took place three days after the exchange rate was changed, and this gentleman sustained a loss of nearly $800. I should like to know whether the government is considering, if it is at all possible under the circumstances, any measure of relief or compensation for individuals who suffered a loss. That is the first question.

The second question is this, and it is what gives rise to my correspondent writing in the way in which he does. He reminds me that about July 25, the newpapers ran an article in which it was indicated that the government would compensate the gold mining industry for losses in this connection, and he writes to ask whether the government is considering a similar measure to compensate individuals who lost money at that time in consequence of such transactions as I have indicated. I wonder if the minister could answer that question. That is all I have to say on the bill, and I ask that question because there are many people who found themselves in a position similar to that of my correspondent.

Mr. ABBOTT: My hon. friend is right when he says that a number of people found themselves in a position similar to that of his correspondent, who received a remittance from the old country two or three days after the exchange rate had been changed. I gathered that the loss was about $800. The difference in the exchange rate for the pound sterling was forty cents, so that the remittance must have been a substantial one. I can only say that is one of the losses incident to any exchange rate and I fear it is not one for which the government can properly give compensation. It would have to go into every case in which payment had been made after a given date on which the exchange rate was altered. It is one of those cases in which one can only say it is a rub of the green. Payment was received in the foreign currency after the exchange rate had been changed.

On the second point, the newspaper report to which my hon. friend referred related to possible assistance to the gold mining industry as a result of the exchange rate being changed. The assistance, if I may so term it, took the form of certain arrangements for the future. That is to say, no assistance was given to gold mines as such with respect to the stocks of bullion they had on hand at the time the exchange rate was changed, or with respect to any other inventory they might have which would be affected. But realizing that the difference in the price of gold would affect the mines which were mining lower-grade ore, the government did, as I announced a week ago, provide for two years' special depletion allowance and fixed a lower minting charge at the Canadian mint. There were certain other provisions, but there was no compensation to gold mines or anybody else for stocks of gold or United States exchange on hand at the time the change become effective.

At one o'clock the committee took recess.

The committee resumed at three o'clock.

The CHAIRMAN: When the committee rose at one o'clock it had under consideration section 1 of the act. May I remind hon. gentlemen that the principle of this bill was approved on second reading on July 2. At that time there was a considerable debate, and the procedure so far in committee has not been strictly in order, since at this time it is not in order to discuss the principle of a bill. In the past when a bill has been given second reading without discussion I think it has been customary to permit the principle to be discussed in committee, but I have looked up *Hansard* in connection with the present bill and find that the discussion on second reading covered some twelve pages. May I suggest to the committee that there should not be a continuation of the discussion of the principle, but that we should consider the sections of the bills.

Mr. HATFIELD: Will the minister say whether "B" forms are now required for the export of goods from this country?

Mr. ABBOTT: Yes.

Mr. HATFIELD: Then I should like to know how much it is going to cost the government to protect the 963 forward contracts that were in effect on July 5.

Mr. ABBOTT: It may take a moment to get that information, so we might have to go on with another section for the moment. I can probably give it later.

Mr. HATFIELD: I should like to know if all the exporters had a right to forward con-

tracts. I understand that only a few privileged exporters in Canada could take out a forward contract.

Mr. ABBOTT: I am advised that every exporter who had a firm contract to receive payment within a specified time could obtain the protection.

Mr. HATFIELD: For how long?

Mr. ABBOTT: I am informed that the ordinary period was ninety days but that it went up to periods as long as six months.

Mr. HATFIELD: It went to a period of a year. Some firms had the privilege of taking out forward contracts for a year's time. Other firms had the privilege of taking out contracts for only three months. Why the difference?

Mr. ABBOTT: I am told by the officials before me that they do not believe that is the case, but I shall look into my hon. friend's statement.

Mr. HATFIELD: I was so informed by the board.

Mr. ABBOTT: As to the figure for which my hon. friend asked, on July 6 the net forward position was $132,000,000.

Mr. HATFIELD: And ten per cent of that?

Mr. ABBOTT: My hon. friend is good at mathematics, and I suppose he can make the calculation.

Mr. JACKMAN: I shall endeavour to pay heed to your suggestion, Mr. Chairman, that the principle of this bill was adopted by this house some time ago. May I say, however, that in regard to many of these technical measures it is impossible to know the ramifications and the full import of a resolution until one sees the bill itself. I recall that on more than one occasion, if not in this precise instance, a discussion of the principle itself was permitted after the standing committee had reported back to the house. Certainly in a bill such as the one we are now considering there are very many technical matters which could not be known in advance. So if in a sense what I say is a report on the findings of the committee, I hope you will pardon me.

In the committee we found that if we were to have foreign exchange control we must have all or nothing. Apparently there was no halfway measure. At the same time, however, we find that those who operate the foreign exchange control board have great discretion, and that the satisfactory or otherwise operation of this board depends a great deal if not entirely upon how those who are in authority —and I am speaking not of those in political authority but of those in administrative authority—exercise their discretion from time to time.

One or two matters were brought up this morning by various speakers, to which I should like to refer. First the hon. member for Acadia wondered how it was that the progressive Conservative party could support the Bretton Woods agreement and at the same time dislike the present bill to set up a permanent foreign exchange control board. May I say to the hon. member that many of us in this party hope that Bretton Woods and the international monetary fund which will be established under that agreement will prevent some of the disruptions of foreign exchange, and thereby of foreign trade, which took place in pre-war years, and which were among the indirect causes of war itself. We hope the nations subscribing to the Bretton Woods agreement will include most of the trading nations of the world, and we hope those nations will not again engage in currency warfare. A nation which wanted to increase its exports reduced its currency in terms of the currency of other nations, and in this way the goods of the exporting country were made cheaper. In return they got money, usually hard money from the United States or some other country where they wanted to buy in future. But this process of lowering the value of exchange led to competition and to great difficulties, and it is something we hope Bretton Woods will obviate in the future.

Mr. QUELCH: Does the hon. member see any sign of trade wars lessening soon as a result of the Bretton Woods agreement?

Mr. JACKMAN: I am hopeful, as I think most of the world is, that the signatories to Bretton Woods will include most if not all the trading nations, and that those signatories will live up to the agreement which they undertook when they signed the Bretton Woods pact. If they do, there will be strict limitations on the extent of any change they may make in the value of their currency. They may not alter their currency by more than ten per cent without the approval of the governing body; up to ten per cent it may be done without approval, though they must first consult the international board. It is hoped that by this means currency wars will be avoided in future.

The hon. member for Acadia also said that if we did not have an exchange control board, exchange rates would be at the mercy of and subject to all the hazards of speculators. May I say to the hon. member that in the normal working of exchange rates the exchange values of different currencies were the reflection of

economic events in different countries. They were the result of the work, labour and trading of the ordinary man who did business with other countries. They were not the result of speculators or others who would say, "We want the rate to be so and so, so that we can make a profit." They came about substantially by the working of natural economic forces. What the present arrangement of having a control board does is to make of every Canadian a speculator, willy-nilly. The ordinary individual has no choice in the matter at all. As a citizen and taxpayer he is subject to the risks of exchange through the foreign exchange control board. And if one does not fully realize what the situation is, when we placed the Canadian dollar on a parity with the United States dollar the loss, while not yet revealed to us, is estimated—a very good guide being given to us by those who are in control —at approximately $150 million. So that, spread over 11 million or 12 million people it is easy to see that in a sense we are all made speculators and made to bear a loss which we would not otherwise have to bear.

Again, the hon. member said that Bretton Woods implies exchange control. Even the Minister of Finance when he introduced the resolution on which this bill is based said there were three policies which would be followed, and one of them was exchange stabilization, or an exchange equalization fund. I believe that would work with greater satisfaction to Canada and to our people than would the present hidebound, iron-clad system of exchange control over even the most petty transactions with the United States or with other countries.

While as a result of the exigencies of the war most other countries do have foreign exchange control to-day, we have in the United States the great example of a strong economic power, similar in many respects to our own, only larger, and to some extent more self-sufficient. That country does not have exchange control, nor, so far as one can see, is there any likelihood of its having it. I should also think that as soon as possible the United Kingdom will do away with exchange control, because so long as she has these controls, particularly on capital account, she can never again become the financial centre of the world. That position, occupied with such ability by Great Britain for so many years, brought to her a source of income which she cannot well do without, and gave her a position in world trade which was the envy of every other country.

May I point out that already Canada has become the third or fourth largest trading nation in the world, and the amount of foreign exchange bills resulting from that trading is substantial. But these bills are now all cleared through New York, and a commission is paid to those engaged in financial business in that centre. If we were able to do without control in this country there is the possibility that just as other centres in Europe such as Paris, Brussels and Berlin did at a time when London was the paramount financial centre, so we might on this continent become a financial centre of some importance, and thereby add to our national income. But that cannot be attained so long as we have the rigid controls provided by this bill.

This morning the hon. member for Cariboo (Mr. Irvine) said that exchange controls will always be with us. Let us hope that we can get away from controls. Later I shall cite what the Minister of Finance said when he introduced the resolution. The hon. member for Cariboo implied that exchange rates had in the past been made by certain wealthy individuals in other countries. But may I tell him, as I have suggested to the hon. member for Acadia, that exchange rates were always made by the work and trade of all the people in a country. It is the result of all the transactions connected with the buying and selling of goods between our country and other countries that determines the exchange rates existing between those countries. That again is influenced by the cost of producing goods in one country as against producing them in another.

Exchange controls perpetuate or endeavour to perpetuate artificiality. We had an example of that on July 5 when suddenly, and without any warning to our people, the Canadian dollar became worth ten per cent more in terms of United States and sterling currency. That situation would not have come about with such abruptness if the ordinary working of the economic forces which are continuously at play were not under the poultice and the cover of the foreign exchange control board, and we should not have had the dire results in some of our industries which followed as a consequence of that ten per cent change overnight in our exchange rate.

Let me say a word or two about what I believe is the really important matter behind this bill. The dominion government has taken unto itself the management of our whole economy. The federal power ramifies through the life of every business man and every worker in the community, not only by way of taxation, but through price and wage controls. The dominion government in its offers to the provinces has undertaken to look after all unemployment in the event of bad times, and it will guarantee a fairly stable economy pro-

vided that it is allowed to run the whole show. It will give to the provinces a bag of gold so that they can run their own shows in their own back yards. But if the dominion is to assume the responsibility for a managed economy, then there must be no one else's hand on the steering wheel. They must run all business. They must run the whole economy, to the point where it means that any other political power or any other political subdivision in Canada must become a nonentity.

We have seen what happened after five years, during which time the provinces leased their taxing powers in certain fields to the dominion.

Mr. ABBOTT: What has this to do with the foreign exchange control board?

Mr. JACKMAN: It has a great deal to do with it, because, as I shall point out in a moment, the foreign exchange control board is an arm of this creature which is gradually enclosing the whole Canadian economy and endeavouring to make of this country what we were never supposed to be, a unitary state, when we are in fact a federal state. It is the desire, I believe, to continue as a federal state, not only in my own province of Ontario but I am sure also in the province of Quebec. I believe, too, that most other provinces desire that control over their own welfare be in their own hands; they do not want it to be transferred to the federal power in Ottawa which under our constitution never had that right, and I hope never will have it under present conditions.

Mr. ABBOTT: I still ask what that has to do with the bill we are discussing.

Mr. JACKMAN: Now that the minister has given me that much help, I can go on to explain exactly where we are.

The CHAIRMAN: May I again point out to the committee that the principle of this bill was approved on second reading.

Mr. GRAYDON: Was there any debate on it?

Mr. ABBOTT: Twelve pages.

Mr. GRAYDON: That was on the resolution.

Mr. ABBOTT: No, on the bill.

The CHAIRMAN: When the bill was before the house for second reading, at which time the principle of the bill was considered, it was discussed by different members of the house, and *Hansard* records from ten to twelve pages of debate. I am not referring to the resolution; I am referring to the second reading. There is no doubt that when the bill was before the house for consideration on second reading there was a discussion which is recorded in *Hansard*. It is not the purpose of the committee of the whole to consider the principle of a bill which has already been approved. The committee is set up to consider a bill clause by clause.

I do not think the purpose of this committee is being carried out when hon. members discuss the principle of the bill. I hesitated to interrupt the hon. member for Rosedale in his opening remarks because he was replying to certain things that had been said, and I thought it was only fair that he should have that opportunity. I suggest to him and to all members of the committee that the principle of the bill should not be further discussed, but that it should be taken up clause by clause.

Mr. MacINNIS: On the point of order, I think in theory the chairman is correct, but my understanding is that in discussing section 1 of a bill there is just as much latitude allowed as there is on the second reading when the principle is being discussed. That has always been the practice. I think the hon. member for Rosedale is talking nonsense, but I think he should have the right to do it.

The CHAIRMAN: May I say to the hon. member for Vancouver East that it is my recollection that the principle of a bill is discussed on the first section in committee when the bill has not been discussed in the house on second reading. Hon. members will recall that frequently a bill receives second reading without discussion, in which case discussion is allowed on the principle when the first clause of the bill is before the committee.

Mr. MACKENZIE: Only with the consent of the committee.

The CHAIRMAN: With the consent of the committee. That is customary. I do not think there is general consent at this time to renew the debate on the principle of the bill. Again I would ask all hon. members not to discuss the principle of the bill at this time, but rather to discuss the clauses as they are called in committee. The clause which I have called is No. 1.

Mr. JACKMAN: I believe I was paying pretty close deference to your original suggestion. This bill is of a technical nature and I do not think it was before us on the second reading. If, as you say, only twelve pages of *Hansard* were taken up on a matter of such great importance, parliament must have been derelict in its duty—unless there was a

clear understanding that the principle or certain matters pertaining to the principle could be discussed at a subsequent time. Certainly the remarks that were made when the resolution upon which the bill is founded was discussed did not give very much indication of the severity and the true nature of the controls which were envisaged. However, if I may continue, I think what I want to say can be summed up in one sentence, namely, that the foreign exchange control bill is a very powerful arm of a managed economy.

Mr. ABBOTT: Is the hon. member opposed to this bill? Is the hon. member opposed to foreign exchange control? Let us get it straight, yes or no. This is a typical example of Conservative inconsistency—approve the principle and then criticize essential details.

Mr. GRAYDON: That is just trash.

Mr. MACKENZIE: That is exactly what he is giving out.

Mr. ABBOTT: I want to find out whether the Conservative party is opposed to the foreign exchange control bill.

Mr. GRAYDON: Surely we are not going to have a short-grained government.

Mr. MACKENZIE: When the hon. member for Peel says "trash" he is speaking his own mind.

Mr. GRAYDON: If that is your strongest answer I am going to accept it. Keep your temper.

Mr. MACKENZIE: You just keep quiet.

The CHAIRMAN: The hon. member for Rosedale has the floor.

Mr. MACKENZIE: If there is going to be a dog fight, it will be a dog fight.

Mr. GRAYDON: No one knows more about that than you.

The CHAIRMAN: Order.

Mr. JACKMAN: We did suggest in the committee certain matters which the minister did not see fit to accept. Had they been accepted we might have been more enthusiastic about the acceptance of this bill. What we did not find in the bill when we came to examine it in committee were certain things which the Minister of Finance led us to believe, when he introduced the resolution, we might expect to find. Let me quote what he said, and I refer hon. members to page 2547 of *Hansard*:

> We hope that it—
>
> Referring to the immediate future.
>
> —will be one which does not call for restrictive controls and we shall do everything in our power to bring this about.

I refer to those remarks in view of the absence of any time limit to this bill, and the refusal of the Acting Minister of Finance to adopt our suggestion that a time limit of a year, or even a slightly longer period, be put on this bill. Let me refer to what the Minister of Finance said on June 17, as reported on page 2548 of *Hansard*:

> When the world returns to a more normal basis we shall have a fresh look at the question.

Surely in view of those two statements one might have expected to find a time limit here. But we did not. We hope that hon. members of this house who value freedom, who believe that this matter is one which may be useful to tide over an emergency, let us say until Bretton Woods comes into effect, will consider this matter. I made my statement when the resolution was introduced in this house. I was not against the exchange controls until the time arrived when we could have a look at them to find out what other nations are going to come in under the agreements. Surely within a year or two years this bill should automatically come before parliament again to see whether or not parliament thinks the restrictions on the normal activities of our people should be continued. I cannot see any reason why the government should not be agreeable to that suggestion.

Let us consider the position of our country in regard to foreign exchange in 1939, and whether it would have been better if controls had existed during the thirties. I asked in the committee how much better off Canada would have been in 1939, when of necessity we thought it was the correct thing to impose controls in order to strengthen our sinews of war, if we had had these controls foisted upon us during the period of the thirties. There was no satisfactory answer to that. We got through the war period, we handled our exchange, we had our controls when necessary and we were all agreeable to that. If we are going to adopt the control philosophy which is sponsored by this government we might as well have had those controls all during the twenties and the thirties. But to what purpose? They would have served no useful purpose.

Mr. IRVINE: How do you know?

Mr. JACKMAN: What have we to fear in the future that we need these controls now? Reference is made to an exposed economy, but of course we as a trading nation are always exposed to other nations. If we buy too much, then we run short of United States dollars; if we sell too much and do not buy enough, then we have a surplus and some other country is embarrassed. Each country

must look after its own economy; it must look after these matters, and not by exchange controls.

Are we likely to become an aggressor nation so that we shall need controls? The United States has not always been a friendly economic neighbour, but of necessity she has always been a friendly political neighbour. Controls during the last war did not save us. We ran short of United States exchange. But we had the Hyde Park agreement. There is not much doubt that if we are in a crisis at some time in the future the United States will also be behind us or we behind them because we have the same philosophy of life. Neither country is an aggressor nation, and just as they came to our financial aid in 1942 they will come to our aid again. In the meantime we could get rid of these controls and we could then trade freely, not only on current account but on capital account, with our cousins in the United States.

It was not pointed out in the committee by the witness for the government to what extent our external currency position is more hazardous now than it was in 1939. The Minister of Finance at page 2543 of *Hansard* reported that Canada's holdings of gold expressed in United States dollars amounted as of September 15, 1939, to $393,000,000 and on December 31, 1945, they amounted to $1,508,000,000—holdings of gold and United States dollars at the end of the war about four times as large as we had at the beginning. Yet we did not have controls then, and we got along all right without them. But now we must have controls. Why? Because we had controls during the war. Those who have this tremendous economic power just cannot understand why they should ever give it up. If they knew the effects which these controls have had in restricting private business in this country and preventing its expansion, they might even now reconsider. That was our position *vis-à-vis* the United States.

The Minister of Finance reported on page 2545 of *Hansard* that Canada's balance of indebtedness *vis-à-vis* the United Kingdom improved by approximately $1,500,000,000 in the course of the war. So Canada emerges from the war greatly strengthened in United States dollars and greatly strengthened in our sterling position. yet we must have controls! The reason has never been adequately set forth. The Minister of Finance in introducing the resolution by no means showed substantial and satisfactory reasons why these controls should be foisted upon us for an indefinite period.

[Mr. Jackman.]

May I ask what have we to fear? Even if we have reason to fear, what can the foreign exchange control board do about it?—even with all these ironclad regulations which prevent a Canadian, for instance, from going to the United States for a week-end without filling in forms and going to the bank and wasting time. You cannot do business without filling out innumerable forms, and generally you cannot carry on as a normal individual because of all these regulations. The board seems to think that business men have no more to do than to sit in their offices and fill out forms. What can the board do even if we have reason to fear? The star witness for the government, under a government instruction, refused to tell the committee what the loss to the Canadian taxpayer, to my constituents, was by reason of the fact that on July 5 Canada's dollar was no longer at a discount with the United States dollar but by the action of the government, on the advice of the foreign exchange control board had once again assumed parity with the United States dollar. That loss was never indicated to us, and the reason given was that it would give away the position of the board—give it away to speculators, they said, or to people with so-called "hot" money, who might do something to disrupt the Canadian economy. If the board cannot prevent disruption of Canada's economy through outside influences just because somebody knows the position of the board, how much gold and United States dollars and currency it has, what good are all these regulations? Surely business men can guess pretty well what the board is doing. They cannot help but know pretty well, and if that knowledge is going to make it possible for outside forces to disrupt our exchange position, what on earth is this board going to do anyway, with its cost and its nuisance to the Canadian people? Why is the board, on instruction from the government, refusing to tell the people of Canada how many millions, $150,000,000 or $250,000,000, of the taxpayers' money was lost when the exchange rate was changed by the action of the government?

Mr. MACKENZIE: Are you against that?

Mr. JACKMAN: I am very glad that the minister asked me if I guessed that. The star witness for the government, Mr. Rasminsky, gave us the position as of December 31, 1945, and at a subsequent meeting he pretty well indicated—I do not want to be too definite—that we would not be far off the beam if we took that figure.

Mr. MACKENZIE: Are you opposed to parity of the dollar?

Mr. JACKMAN: I am opposed to the way in which your government reached parity of the dollar. I would rather have a situation where you can make commitments, in the mining industry, for example, whose experience is fairly fresh in the minds of hon. members.

Mr. MACKENZIE: Now we will get it.

Mr. JACKMAN: You asked for it. They had contracted for labour and for supplies on the basis that they were going to get $38.50 per ounce for gold. Then the government at Ottawa changed the price of gold to $35. The effect of that was that many mines would go out of production, especially those producing gold at a high cost, and that is the situation of most of the gold mines in northern Quebec; their marginal profit was lost when the 10 per cent disappeared. Many of them will have to close down, many workmen will be thrown out of employment, and tradesmen will be worried about payment of their supplies.

What I am saying to the minister is this, that the ten per cent change was merely the reflection of economic forces working underneath, and working so hard in this case that finally even the Liberal government boiled over and was forced into action. There is no doubt in my mind that the Canadian dollar was becoming more and more valuable, or that the United States dollar was becoming less and less valuable in terms of purchasing power, and parity would have been reached much sooner under a free exchange market. May I say to the Minister of Veterans Affairs that there are business men and economists who are trained to foretell economic events but they cannot tell what is going on in the mind of the Minister of Finance.

Mr. MACKENZIE: Is the hon. member against enriching the Canadian dollar as a result of the country's enrichment?

Mr. JACKMAN: I did not understand my hon. friend's question.

Mr. MACKENZIE: You would not, naturally.

Mr. JACKMAN: It is quite possible that the Canadian dollar may go to a premium over the United States dollar. It depends upon how we run our economy and how the United States run theirs. What I want is a natural working of these economic laws. Even under a stabilization fund we might have definite rates fixed by the governing body, but we hope that the rate will not jump ten per cent at a time but vary only one or two per cent.

Just along that line the Minister of Finance had something to say when he introduced the resolution. He said, as reported on page 2541 speaking of the action of the foreign exchange control board during the years:

> I believe that the house will agree that the complete stability of exchange rates which has been maintained since September, 1939, has been of great advantage to the Canadian economy.

I will not disagree with him, but to put a ten per cent jump all at once is something which no industry can very well stand. The only reason that the newsprint industry, one of our largest manufacturing industries, was able to stand it, was that there being a seller's market in the United States, they were able to increase their prices in terms of United States currency another ten per cent and in that way equate themselves. The gold industry could not do that. What use are these controls if they cannot control? Why is the board unwilling to let us know the extent of the loss suffered by the country on July 5?

Mr. ABBOTT: That will be disclosed in the next annual report.

Mr. JACKMAN: That will be a long time.

The CHAIRMAN: Order. The thought comes to me, of what use is the chairman of the committee if he cannot control the proceedings in the committee? I think all members in the committee agree that the bill was discussed on second reading and that the principle was approved. It is not in order to discuss the principle when the bill gets in committee of the whole. So far the remarks of most hon. members in the committee have been directed to the principle of the bill.

Mr. STIRLING: Oh, no.

The CHAIRMAN: To my mind that is the wrong procedure. The committee is set up for a purpose, and the purpose is not the same as the purpose of consideration of a matter in the house. When the bill is before the house the principle only is discussed; the sections of the bill are not discussed. In committee the reverse holds; the sections are discussed and not the principle. Of course I am in the hands of the committee. If the committee wants to continue the discussion of the principle, I will not interfere with the speakers, but otherwise I feel it my duty to call an hon. member to order when he is discussing the principle of the bill and not the sections.

Mr. HACKETT: On the point of order, I did not recall that the principle of the bill had

been accepted; so since you, Mr. Chairman, made that statement I took the trouble of turning up the debate. Naturally I have read it over hastily, but I cannot on the reading agree with your statement of fact.

Mr. ABBOTT: May I refer my hon. friend to page 2539 of *Hansard*? He will find the statement there.

Mr. HACKETT: I am looking now at page 3039.

Mr. ABBOTT: Yes, but refer to what the Minister of Finance said at page 2539. The leader of the opposition raised this question as to the discussion of the principle of the bill on second reading, and the minister replied. Would my hon. friend care to look at it? Or, I will read it; it is short.

Mr. HACKETT: We will come now to the second reading of this bill and refer to *Hansard* at page 3039. The Acting Minister of Finance there moved second reading, whereupon the hon. member for Muskoka-Ontario said:

> I had understood that there was to be a motion to refer the bill to the banking and commerce committee. Did I misunderstand?

Then the acting minister answered, and he said that he did not wish to curtail the debate:

> As the minister indicated, there is no desire to curtail debate on the second reading, although in the interest of expediting the business of the house I perhaps might express the hope that the greater part of the discussion and questions with respect to this rather technical bill might well take place before the banking and commerce committee.

Mr. ABBOTT: And they did.

Mr. HACKETT: Whereupon the hon. member for Muskoka-Ontario pointed out in a couple of sentences two fundamental objections to the bill, and said no more. Now, unless, Mr. Chairman, I have overlooked something in the expressed opinion of the official opposition, there was no concurrence in the principle of the bill. I know, sir, that your duties are manifold and are not easy of discharge. The doctrine of infallibility does not apply either to you or to me, and it may be that I have overlooked something, but I do think that this is a matter of the utmost importance, and I know that my hon. friend the Acting Minister of Finance would not wish to curtail discussion, which after all is beneficial in a matter so far-reaching as this.

Mr. ABBOTT: I have not attempted to curtail discussion, Mr. Chairman; but as the committee knows, the general rule followed is that the principle of a bill is approved when it is given second reading. This question was raised on the resolution preceding the introduction of the bill, *Hansard*, page 2539. The leader of the opposition asked this question:

> Mr. Bracken: I understood that the minister was willing to have this bill go before a committee of the house. Is he willing that it should go before the committee before the second reading?

The Minister of Finance replied:

> I do not think that course should be taken on a bill such as this. Rarely a small or unimportant bill is referred to a committee without first approving the principle, but I think the principle of a bill as important as this should be approved before it goes to the banking and commerce committee. When it comes back from that committee there will be opportunity to amend it in the committee of the whole and, on the third reading, to defeat it, or move the six months' hoist, if anyone desires to make such a motion. After the second reading I am suggesting that the bill be referred to the banking and commerce committee, as was done with the Bank Act.

It is true that the hon. member for Muskoka-Ontario did not make extended remarks. The hon. member for Acadia made rather more extended remarks, and the hon. member for Vancouver East spoke on it. I submit there can be no doubt that the principle of this bill was approved when it was given first reading.

Mr. MACDONNELL (Muskoka-Ontario): Also on this point, what the minister says is perfectly true; nevertheless on July 2, I submit, the atmosphere of that discussion was indicated in the words of his which were read before:

> . . . there is no desire to curtail debate on the second reading, although in the interest of expediting the business of the house I might perhaps express the hope that the greater part of the discussion and questions with respect to this rather technical bill might well take place before the banking and commerce committee.

I submit it is a fair interpretation that the whole tenor or implication of that discussion was that we were to reserve our remarks and not go into detail until we had—

Mr. ABBOTT: Precisely, and we discussed it, Mr. Chairman. Everything without exception which has been said in this committee to-day is in effect a repetition of what took place before the banking and commerce committee.

Mr. JACKMAN: Not everything.

Mr. ABBOTT: Oh yes, all of it. I followed these proceedings pretty closely.

Mr. HACKETT: I draw to the attention of the minister the fact that on the same page, 2539, a line or two below where he stopped reading, we find the following statement by the leader of the opposition:

Mr. Bracken: So far as the official opposition are concerned we shall be glad to facilitate passage of the measure up to the second reading, on the understanding that there will be an opportunity for study of the bill before the debate on the second reading begins.

Mr. ABBOTT: Yes. Carry on, now. Then comes a statement by the minister.

Mr. HACKETT: The Minister of Finance said:

I shall not move the second reading for a few days, because there ought to be an opportunity for hon. gentlemen to study the bill. But I think it is important to get through all these early stages, and I cannot do that without making an extensive speech on the resolution.

Mr. Bracken: That is satisfactory.

Mr. ABBOTT: And second reading was not moved until July 2.

Mr. HACKETT: Nowhere do we find—and I am willing to carry the search farther—anything that savours of acquiescence by the official opposition in the principle of the bill. We have a great deal to do here and we cannot be in entire agreement. Indeed, that is the reason for the existence of this body, that we may thresh out our disagreements. Surely, therefore, the assertion should not be made that we have agreed when there is nothing to warrant such an assertion. To say that the official opposition has acquiesced in a bill which imposes control without a time limit on the life and destiny of the whole people, is to make an assertion for which, I submit, there is no warrant. I would ask you therefore, Mr. Chairman, after having taken cognizance of the record, to permit the debate to go on as if the principle of the bill were under discussion.

Mr. JACKMAN: On page 2539 of *Hansard* the Minister of Finance is reported as follows:

My suggestion would be that the questions—

I pause there for a moment, because this is a highly complicated and most technical bill; and while it affects the generality of our people, even our humblest constituents, it affects to a greater extent those engaged in commerce and those having to do with foreign exchange. Without a thorough understanding of the bill and all that it entails, it would have been virtually impossible to understand what the principle behind it was, and that understanding can be gained only by means of questioning. I come back, therefore, to the statement made by the Minister of Finance on the page to which I have just referred:

My suggestion would be that the questions be asked in the banking and commerce committee. That is by far the best place to ask questions. This is a most inappropriate stage at which to answer, if not to ask, questions on a measure of this kind, because the bill itself is not before the house. It is a 74-section bill. There can be any amount of debate on the second reading—although I hope there will not be any—and every opportunity to ask questions when the bill is taken up section by section in the banking and commerce committee.

I am not suggesting that the Acting Minister of Finance is not endeavouring to interpret this in the proper spirit, but the spirit of the section and the declaration by the Minister of Finance were that we should have an opportunity to ask these questions in the most appropriate place, namely, in the committee. Moreover, I am suggesting that, without an understanding of what is behind the bill, it was hard to appreciate what was involved in the principle. Therefore I feel that we are not suggesting any undue stretching of the rules in asking you, Mr. Chairman, to allow us to continue our discussion of the principle as applied to the sections. As you recall, sir, the section with which I was dealing had to do with the time during which the bill, if adopted, would be applicable.

Mr. IRVINE: With respect to this point of order, I cannot see why my hon. friend, who desires to object to certain restrictive provisions in the bill, cannot raise those objections on the particular clause in which the restriction is to be enacted. I think we should confine our discussion to each section as we come to it. That would make for progress. I cannot see why the hon. gentleman would not have the fullest opportunity to do all his objecting without rehashing the general principle of the bill.

The CHAIRMAN: I thank all hon. members for the assistance they have given me in trying to come to a conclusion on the rule to be interpreted. There is general accord so far as the meaning of the rule is concerned, and that is that the principle of the bill should not be discussed at this time, and could be discussed at this stage only under special circumstances and with the unanimous consent of the committee. Hon. members have referred to what took place in the resolution stage. I would point out that the Minister of Finance suggested that there should not be a great deal of discussion at that time since hon. members had not the bill before them. Several weeks intervened before the bill was presented to the house for second reading, during which time all hon. members had every opportunity to examine the bill. The references that have been made to the committee are in all instances references to the committee on banking and commerce. The minister's suggestion was not that the questions be asked in committee

of the whole. His suggestion was, if hon. members will read his remarks, that the questions be asked when the bill was before the banking and commerce committee.

Mr. HACKETT: That is not denied.

The CHAIRMAN: That, I presume, has been done. The bill was before the house in the resolution stage when there was some discussion, and again it was before the house on second reading when, without doubt, the principle was adopted.

Mr. HACKETT: By whom?

The CHAIRMAN: By vote of the house. That is the record and I can only go by the record. The bill was then referred to the banking and commerce committee where, I take it, questions were asked, and probably the principle was again discussed. It was then reported to the committee of the whole. It is suggested that I interpret the rule differently. I am powerless to do so. As I have said, however, I am in the hands of the committee and, unless I am instructed otherwise, it is my duty to insist that at this stage the principle be not discussed but that the bill be discussed clause by clause. That is my ruling.

Mr. HACKETT: I would point out that the minister has stated on several occasions that the principle of the bill has been accepted by the official opposition.

Mr. ABBOTT: I did not say that. I said it had been accepted by the house, and the official opposition did not vote against it.

Mr. HACKETT: I call the attention of the Chairman to the fact that the minister has said it was accepted by the official opposition, and I further point out to the Chair that that is an inaccuracy. We thought we had an undertaking which would enable us to discuss the principle at this time but, apparently, according to the ruling of the Chair, I am in error in that regard.

The CHAIRMAN: I hope I did not say that the bill in principle had been accepted by the opposition. If I did I made a mistake. I meant to say, and I believe I did say, that according to the record the principle had been adopted by the house.

Mr. POULIOT: Mr. Chairman, principle or no principle, you should pay no attention to the shadow-boxing of the Progressive Conservative party.

Section agreed to.

Sections 2 to 4 inclusive agreed to.

[The Chairman.]

On section 5—Exchange fund account continued.

Mr. FULTON: This section has been amended on the recommendation of the banking and commerce committee. The amendment is incorporated in subsection 4 of section 5, and it will be observed that subsection 4 requires the minister to report to parliament within thirty days after the 31st day of March the amounts authorized by the governor in council under paragraph (c) of subsection 2 of this section. Paragraph (c) deals with the transactions of the board in the currencies of countries other than the United States and apart from gold. Gold is covered under paragraph (a), and United States currency under paragraph (b). I have been looking through the records of the banking and commerce committee and I cannot find the reason why paragraph (c) was the only one which was affected by the amendment. It seems to me there would be equal reason for paragraphs (a) and (b) to be affected by the amendment, requiring the minister to table the information in the house or to have it published in the *Canada Gazette*. I would ask if the minister would accept an amendment inserting paragraphs (a), (b) and (c) in place of (c) only.

Mr. POULIOT: Mr. Chairman, with the consent of the committee I should like to revert to section 4, which passed very quickly.

Mr. CHAIRMAN: Order. Could we first dispose of section 5?

Mr. POULIOT: Very well; I shall speak on section 5 in relation to section 4. This is supposed to be under the Minister of Finance, and the Minister of Finance is supposed to be the big boss of the foreign exchange control board. What I have contended in the house, what I have submitted every time I have mentioned these matters, is that the minister shall be responsible to the house; and I cannot understand how hon. members could have let section 4 pass like that without saying a word. I have to come back from the east to remind the house of these elementary matters in constitutional practice. Section 5 refers to the exchange fund account. It is an exchange fund account under the Minister of Finance, who is not responsible to the house for the foreign exchange control board. Those people are above parliament, and how many times have I protested against that loudly and strongly. I have left no stone unturned in protesting against encroachments upon our constitution

with regard to the foreign exchange control board, the Bank of Canada and all similar organizations.

Mr. FULTON: I wonder if I might point out that the very purpose of my amendment was to bring information on gold and United States currency transactions to the house by requiring the minister to table it.

Mr. ABBOTT: I shall answer that in a moment. It is covered by another section.

Mr. POULIOT: The hon. member for Kamloops cannot complain if I speak in the same vein, then, though that seldom happens. Here we have a matter of tremendous importance to the Canadian people, the question of foreign exchange. What happened? Not long ago there was a considerable change in our rate of exchange. We were paying a premium of ten per cent on United States dollars. Overnight that was changed. Many people had paid the premium on American money in the normal way; but when they went to the bank to get the premium back, the day after, they could get nothing at all. How is it that no member of parliament rises to complain on behalf of those people, and those who had contracts with Americans, and who found those contracts considerably changed because of the action of the foreign exchange control board? Members of parliament heard nothing about it; the change was made bringing up our currency to the same level; it was done overnight, and now this section passes like the Chicago flyer, at full speed. It is railroaded through, and no member of parliament protests against it here in the house. It takes one who comes from the east to remind everyone in this house that we have a supreme duty to defend the rights of the Canadian people with regard to the foreign exchange control board as with regard to any other matter. Here we are now, just the same as when the Bank of Canada Act was discussed by the banking and commerce committee. The attention of hon. members is adroitly turned to another matter; it is carefully directed to one side, in order that they may forget the elementary matters, the elementary principles we have to defend in this house. How often do I hear hon. members complain about bureaucracy? Here we have bureaucracy at its worst, and it is swallowed like spring water.

Mr. HACKETT: By whom?

Mr. POULIOT: By everybody.

Mr. HACKETT: Not by me.

Mr. POULIOT: I hope not, but the hon. gentleman did not rise when section 4 was called and passed, railroaded through. I was the one to rise and awaken the hon. member for Stanstead to the fact that there is a danger here that should be noted by every member of this house. Now that he is awake, I hope he will not fall asleep again right away.

Mr. HACKETT: He has not fallen asleep for some time, nor has he been absent.

Mr. POULIOT: What has he been doing about the matter? Nothing; yet he complains about bureaucracy all the time. He curses bureaucracy, but when the time comes to curb bureaucracy he is not here; he has gone away.

Mr. FULTON: Will the hon. member permit a question?

Mr. POULIOT: I am not to be interrupted by anyone when I have the floor, and I have the floor now.

Mr. FULTON: I asked the hon. member to permit a question.

Mr. POULIOT: The hon. gentleman has not the right to interrupt when I am speaking.

Mr. FULTON: Will the hon. member permit a question?

Mr. POULIOT: No. I have the floor, and I hold it. How many times have I done my best to try to awaken members of the House of Commons to a sense of reality, to a sense of their responsibility, but they were Rip Van Winkles, sleeping beauties. There they are; and that is what the Canadian people say from coast to coast, that they are asleep. When they do speak out they speak as somnambulists. Here they are shadow-boxing all the time, complaining about the policies of the government when they have no constructive policies of their own to suggest. They only repeat the same useless criticism.

Mr. MACKENZIE: Just a wilderness.

Mr. POULIOT: A voice in the wilderness? I wonder if the Minister of Veterans Affairs is not wilderness personified, especially when he uses the strong language of the highlands in this house. But now we can do something for this country; we can curb the powers of the foreign exchange control board. In the banking committee members have been listening to Charybdis and Scylla, in the form of Louis Rasminsky. He has a fine voice; he was listened to by all hon. members, who said, "That gentleman has polished manners. We must believe in him". That is not a reason. You can pick up a dude anywhere who has polished manners, who has a facial massage every day, who has scent, who has a shampoo

every day, who is dressed up by the finest tailors in this country. That is not a qualification to put him in charge of the foreign exchange control board.

The CHAIRMAN: Order. The members of the committee have unanimously agreed that they would direct their remarks to the section under consideration. At the present time the committee is considering section 5, and I would ask the hon. member for Temiscouata to direct his remarks to that section.

Mr. HACKETT: On a point of privilege, Mr. Chairman, may I say the committee has not come to that decision unanimously; it is the Chairman who has reached it.

The CHAIRMAN: Then may I say that until the committee comes to some other unanimous decision it is my duty as Chairman to see that the remarks of all hon. members are directed to the section under consideration, in accordance with standing order 58. We are on section 5.

Mr. POULIOT: Sir, I agree with you entirely. Section 5 concerns the exchange fund account:

> The special account in the name of the Minister of Finance, known as the exchange fund account, established by the Bank of Canada, pursuant to The Exchange Fund Act, is continued and all gold, currency, deposits, securities and other investments purchased or acquired with moneys out of the said account by or on behalf of the minister and held by him or on his behalf for the said account shall continue to be so held.

That account was held by him or on his behalf. And if it is held on his behalf, then by whom is it held on his behalf if it is not held by Louis Rasminsky and all the other big-wigs who control the foreign exchange control board? Therefore, sir, I am perfectly in order when I mention what shall be and what shall not be the qualifications of those who held that fund on behalf of the minister, as indicated in section 5 (1).

Everyone knows that when the word "minister" is used in that section, it shall be interpreted without forgetting paragraph (1) of the interpretation section which says:

> "Minister" means the Minister of Finance.

But that definition is not complete, because "minister" means not only the Minister of Finance but also all those who act on his behalf, if we follow section 5. Therefore I submit I am perfectly in order when I mention what shall be and what shall not be the qualifications of those acting on behalf of the the Minister of Finance.

Hon. members know very well some people have boasted that fifteen days before the Canadian dollar was placed on a parity with the United States dollar, there were stock-market dealings which gave evidence that it was known by a small group of privileged people what the decision was to be with regard to the ten per cent which had been paid on the Canadian dollar in the purchase of United States funds. It was denied in some quarters, but one has only to look at the file of newspapers to see the sales made on the stock market in order to realize that there had been a leak.

Mr. ABBOTT: My hon. friend is completely mistaken in that.

Mr. POULIOT: I may be mistaken, but the records are there in the daily press. One has only to look at them. I will not say that it was done wilfully; probably it just happened that way. But some good Canadian people have been placed in a very wrong and difficult position precisely because that change was made overnight.

The foreign exchange control board is an institution which considers itself far above parliament. We are here to-day to analyse the situation. If there are men who have the power to curb the influence of the foreign exchange control board, then it must be members of parliament, if they were to unite together. I make an earnest appeal to all members who are liberal-minded, whether they belong to one group or to another, to unite and to show the government that they are the bosses in this chamber.

Why should we discuss this matter until the millennium, to improve conditions that cannot be improved unless some radical change is made? It is possible for members of the House of Commons to take control of power, if they will forget their party prejudices, and to make reforms so badly needed in this country, as badly needed in the foreign exchange control board as in the Bank of Canada.

That is what should be done, and I appeal to hon. members once again. I appeal to their sense of duty to forget the party line or the party bonds which keep them with an inferiority complex in regard to the bureaucrats who ruled this country during the war.

Mr. MACKENZIE: Order.

The CHAIRMAN: Order. I must again remind the hon. member for Temiscouata of standing order 58 (2), which reads:

> Speeches in committee of the whole house must be strictly relevant to the item or clause under consideration.

Mr. FULTON: Speaking to a point of order, may I say that I had raised a question in connection with section 5, and then took my seat

to give the minister, as I thought he was about to do, a chance to reply. Actually the hon. member for Temiscouata took the minister's place, and really took what was my place in addition, and he refused to allow me to ask my question. I am bound by the rules of committee, but I would ask that the hon. member make his interruption brief so that the minister and I may resume our discussion.

Mr. POULIOT: There was no point of order in what the hon. member said.

Mr. FULTON: Yes, I have raised a point of order. May I have the floor?

Mr. POULIOT: I had the floor, and I do not want to be interrupted. I sat down when the hon. member rose to speak, but I will tell you why I am so insistent—

Mr. FULTON: Again speaking to a point of order, I would ask for the Chairman's ruling as to who has the floor?

The CHAIRMAN: The hon. member for Kamloops did ask a question of the Acting Minister of Finance, and it was my impression that the minister was considering the amendment which had been made. While he was considering the amendment the hon. member for Temiscouata commenced his address, and has the floor at the present time.

Mr. POULIOT: Thank you, sir. But I will tell you now why I am so insistent and so persistent regarding section 5 (2). It is because I remember the time when all the gold and currency held by the Canadian treasury, and all the securities in the treasury of this country were kept in the east block under the custody of the Minister of Finance. I also remember, sir, the day when all that gold, securities and currency was transferred by truck to the vaults of the Bank of Canada, not to be under the control of the Bank of Canada, mark you, but to be under the control of the foreign exchange control board.

I wonder why some members are silent about this matter, because the foreign exchange control board holds all the gold, all the securities and all the treasury notes which form the national wealth of the country, and which are the guarantee of the bank notes issued by the Bank of Canada. Long before the hon. member for Kamloops was elected, I warned the House of Commons in committee of the whole, in committee of supply and in other committees that it was absurd to have Canada bank notes issued by the Bank of Canada when the securities were in the hands of the foreign exchange control board.

Who thought of that? The promise to pay is made by the Bank of Canada, and the guarantee is in the hands of the foreign exchange control board. That is on record in *Hansard*. There is discrimination; there is disparity; there is something that I cannot understand about it. All that should be either in the hands of the Bank of Canada which issues the bank notes or under the Minister of Finance. These notes should be issued in the name of the Dominion of Canada instead of being issued by the Bank of Canada.

I do not think it can be said that I am not in order when I remind the committee of these things because they should be known to all hon. members. Hon. members should be warned against the excessive powers that have been given to the foreign exchange control board. Our Social Credit friends complain about the monetary policies of this government, but this is one reform they should advocate, that all the treasure of this country, all the gold and securities, all the wealth that is in the hands of the foreign exchange control board should be placed in the hands of the Minister of Finance so that he may be responsible to parliament for all financial legislation passed by this house. That would be an easy thing to do.

That is what was done in the past. That is following the tradition of Fielding, a Liberal; it is following the tradition of White, a Conservative; it is following the tradition of Jim Robb, one of the last Liberals who was Minister of Finance. I want those hon. members to leave aside all their abstractions and get down to brass tacks. I want them to advocate reforms that are practical, reforms that can be brought about. Instead of getting into new fields that are unknown to all they should get back to the sound traditions of the past so that we could have parliamentary control to prevent waste and foolish expenditures. If all the expenditures that have been made by the foreign exchange control board had been submitted to the rigid control of the house the financial condition of this country at the present time would be different from what it is.

I am not saying this to discourage my hon. friends of the Social Credit group or of any other party in this house; I say this in order to encourage them to learn the history of Canada, to learn the lessons of the past, to remember those things which were good in the past so that we may come back to them and improve conditions instead of making them worse.

Mr. HANSELL: Why not teach the government? We are not in office.

Mr. POULIOT: No, but I want the support of hon. members. I am putting things in black and white; and I am hopeful that my hon. friends will end up by supporting these

submissions which are made, not only to the government and to the members of the government but to the members of all parties and groups in this house. In saying these things I do not speak as a government supporter; I speak as a Liberal who wants reform in this country. I think we shall be able to have reform only by men of good will in this house uniting together to secure it.

Then there is the question of infallibility; some people feel that they cannot make a mistake, that they are infallible, that they are always right. They may be right in abstract but it is much better to be right in fact. It is much better to redress wrongs, to improve conditions for all Canadian taxpayers so that they may have a ray of hope for the future.

I assume that my hon. friends are for public finance; I assume that they believe that the Minister of Finance should be responsible to the House of Commons for all that is done by the various agencies under his control. Not only is that the Liberal policy of the past; it is the Conservative policy of the past. Since there have been only two major parties, that was the policy of Canadian statesmen for the past fifty or sixty years. That was the policy until this organization was set up, an organization which was copied from organizations in other countries.

Why could the Minister of Finance not deal directly with other nations in connection with monetary matters? Why does he need the assistance of a board which is not responsible to parliament, which is composed of members of the intelligentsia which all of us curse, if not openly at least secretly, on occasion.

Mr. ABBOTT: The assistance of deputy ministers.

Mr. POULIOT: He is the worst of the intelligentsia and he should have been fired long time ago.

Mr. ABBOTT: There are five or six of them.

Mr. POULIOT: I named them already and I shall not name them again. The trouble with the government is that it will never admit its mistakes. I suggested to the government to fire all these so-called fine brains which are a curse to the country and to the private individual. But I was told that they were great Liberals. They are great Liberals that are bringing this country on the rocks and it is time that the House of Commons awakened to its responsibilities. We should see through the veil of propaganda that is put out on behalf of these men who are incompetent and unworthy of the high office they hold at the expense and suffering of the Canadian people.

[Mr. Pouliot.]

I cannot understand why the big bankers who are supposed to be so powerful did not protest when the wealth which is behind the Canadian bank notes was transferred from the vaults in the east block where the privy council sits to the vaults of the Bank of Canada. Why did they not raise their voices in protest? The bankers were mute just as they were when the Bank of Canada was instituted.

An hon. MEMBER: Carried.

Mr. POULIOT: Oh, yes; carried. The plain fact is that the banks were derelict in their duty. My hon. friend in the Social Credit group is suggesting that I should not proceed, but I am saying exactly what they should have said and what they would have said if they had been well informed as to the real situation.

Mr. MACKENZIE: Order.

Mr. POULIOT: I am not very much impressed by the Minister of Veterans Affairs when he says "order."

Mr. MACKENZIE: The Minister of Veterans Affairs is not impressed by the hon. member.

Mr. POULIOT: I know that and I am sorry for him.

The CHAIRMAN: Order. My concern is whether or not the hon. member is directing his remarks to clause 5. At times it occurred to me that they might have been very remotely related to clause 5. May I ask him to direct his remarks to that clause which has to do with—and I read the marginal notes—"exchange fund account continued; minister may purchase gold, currencies, securities, etc.; minister may sell gold, currency, securities, etc.; report to parliament."

Mr. POULIOT: Yes, sir. I have another observation to make. In the meantime, Mr. Chairman, you and my hon. colleagues will understand that I at least have made a solemn protest against this legislation.

Another ground of complaint that I have—and I lodge it as a Canadian and a Liberal—is this. When we got gold from Great Britain in payment of our exports, that gold was turned over to the United States, not to the credit of Canada but to the credit of Great Britain.

Mr. ABBOTT: No.

Mr. POULIOT: Oh, yes; it was stated by the finance minister in one of his speeches that the last payment of gold that we had

received from Great Britain in 1940 or 1941 was turned over to the United States in part payment of obligations contracted by the United Kingdom in that country. I protest against that. I have numerous other grounds of complaint; but I shall wait a little before I submit them to you, sir, and in the meantime I am anxious to hear what suggestions my hon. friends and colleagues have to make to the minister.

Mr. FULTON: May I amplify a question I asked of the minister? I asked if he would accept an amendment. I did not move one. I am sure that the hon. member for Temiscouata had no desire to be unfair or to misrepresent members on this side, but he was not strictly accurate when he said that no member of the house other than himself was concerned to limit the powers of the foreign exchange control board. I have in mind an amendment to section 5 requiring the minister to table in the house or insert in the *Canada Gazette* full information as to the dealings of the board to enable parliament to exercise control over his responsibility and the conduct of the board. That is the object of my amendment.

Mr. ABBOTT: Would my hon. friend allow me to give a word of explanation before he moves his amendment, because I think he may have overlooked another section which also deals with this matter. There are three sections under which information is to be given, and after he hears my explanation he may conclude that his amendment is not necessary; I do not know. But I would appreciate the opportunity of making the explanation.

Mr. FULTON: I shall be glad to do that. Would the minister accept my suggestion to include paragraphs (a), (b) and (d)?

Mr. ABBOTT: I do not believe it is necessary, for the following reasons. If my hon. friend will look at section 5 he will see that there is no limit placed on the amount of gold or United States currency that the board may hold, but there is a limit fixed by the governor in council on the amount of foreign currencies other than gold or currency of the United States. Under subsection 4 of section 5 a report must be made to parliament stating the amounts of all these other currencies authorized to be held, and under section 7 a report must be made to parliament, or be published in the *Canada Gazette* if parliament is not then sitting, with respect to advances made to the exchange fund. Then under section 39 the annual report of the board, which would contain full information as to the holdings of gold and United States currency, has to be made within five months after the 31st day of December. Hon. members who were on the banking and commerce committee will recall that on the suggestion of the hon. member for Muskoka-Ontario the period was shortened from six to five months to ensure that the information would be available, if possible, when parliament was in session. So that under section 5 (4), section 7 (2) and section 39 (1) and (2) the information which my hon. friend suggests should be made available, and which I agree should be made available as to paragraphs (a) and (b) of section 5, will be produced. It is not felt desirable to disclose the holdings of gold and United States currency sooner than five months after the end of the fiscal year. That is the reason why the disclosure as to those holdings is covered by section 39.

Mr. JACKMAN: Why?

Mr. ABBOTT: I am advised by those who are familiar with foreign exchange control operations that in order to prevent undue speculative transactions a period of five months is necessary. These three amendments were made as a result of the discussions that took place in the committee. I am convinced that my hon. friend's point is covered. As the committee will see, if parliament should not then be sitting the information has to be published in the *Canada Gazette* and be tabled in parliament immediately following the commencement of the next session.

Mr. FULTON: That covers part of my suggested amendment but not altogether. Admittedly amendments were adopted as a result of the deliberations of the banking and commerce committee, but they did not meet the purpose we had in mind when we asked that the information be given to parliament earlier than is now provided. My suggested amendment is a further attempt to comply with our desire to have the information quickly.

To illustrate the necessity of my amendment, and in answer to the minister's statement that two other sections take care of the subject-matter of my request, I would refer him to what took place in the house on July 22, to be found on page 3667 of *Hansard* when, in answer to a question by the hon. member for York West as to what other countries besides the United States Canada

sold gold during the fiscal years 1943, 1944 and 1945, the parliamentary assistant to the minister replied:

As such transactions reflect the exchange policies and transactions of foreign countries or central banks, it is not considered desirable to give details regarding them.

One of the objections taken by this party to the bill is that it sets up another board which to some extent is subject to the criticism advanced by the hon. member for Temiscouata, in that it is not directly responsible to parliament. Parliament attempts to get information and is sometimes denied that information. The answer is frequently given, when we criticize the policies of the board and say that it is a supreme board, that if any objection is taken to the policies of the board it can be raised in the banking and commerce committee or in parliament. That would be all right if it were a true picture; but it is not, because frequently the information sought is denied, and how can we criticize the policy of the board and say that they are not administering the act in the interests of the country if we are denied the information on grounds of public policy? We are told: We cannot tell you with whom we have had dealings or how much gold we hold because it is not in the public interest to disclose that information. We are further told that if we have any objections to the way in which this board is carrying on there is the high court of parliament to which to appeal. But what sort of appeal can one make when the facts on which parliament could base its judgment are withheld from it? So the purpose of my amendment is to ensure that we get full information as to the holdings in gold, in currency of the United States, in currency of countries other than the United States, and of securities of or guaranteed by the dominion. Those are the four classes covered by section 5(2) (a), (b), (c) and (d). All we ask is that information with regard to these holdings be tabled at the same time as the information with regard to the holdings of currency of the United States and be reported to parliament within thirty days after March 31.

Mr. ABBOTT: The date March 31 does not apply to the United States currency but only to other currencies.

Mr. FULTON: Yes. I should have said, so that the holdings in gold, United States currency and Dominion of Canada securities shall be reported at the same time as the holdings of currencies of other countries and reported by virtue of subsection 4 of section 5. The reason I ask that is that, as matters stand, we cannot obtain the information which is required to enable us to make an intelligent criticism of the policies of the board. Unless we can get that information we are handing over our powers and will be in a position where we cannot make a criticism, for we shall be told, "You gave the board that power in the first place and, now that the board is administering the fund in accordance with the act, you can have no objection". So long as we cannot get the information we are not able to make an intelligent criticism, and it is to enable us to do this that I move the amendment.

Mr. ABBOTT: I should just like to answer that by saying that, if my hon. friend insists, perhaps he had better move the amendment, but I cannot accept it.

Mr. FULTON: I move:

That section 5 of the bill be amended by deleting the words "paragraph (c)" where they appear in lines 37 and 38 of subsection (4) thereof and inserting in their place the words "paragraphs (a), (b), (c) and (d)."

The CHAIRMAN: Is the committee ready for the amendment?

Mr. ABBOTT: May I comment on it first? The amendment as it is put will be largely meaningless. I cannot accept it even if it were changed to put it in the terms which I think my hon. friend wants. Subsection 2, paragraphs (a) and (b) authorize the minister to purchase with moneys in the exchange fund account gold or currency of the United States. There is no limitation placed on the amounts. Under paragraph (c) the minister may purchase currencies of other countries up to such amounts as may be authorized from time to time by the governor in council. Subsection 4 of this section requires the minister to report to parliament or publish in the *Canada Gazette* the extent of the authorization to purchase foreign currencies, but not necessarily the amount of such foreign currencies held at that time. That information is given to parliament in the annual report of the board, which under the amended section which we shall come to in a moment, must be tabled not later than five months after the end of the year. The information will be made available and it can be discussed in parliament. The amendment of section 39 was put in expressly so that parliament would have an opportunity of doing so; and in all the five or six years I have been here parliament has been in session in the month of May, so that I think my hon. friend is mistaken when he says that we shall not have an opportunity of discussing this matter with knowledge of the facts. The government must come before

parliament each year with an appropriation for the expenses of this board. That is going to afford a full opportunity each year for criticism and discussion of these operations, and under section 4, which we passed a moment ago, the board is responsible to the minister. Therefore I cannot accept my hon. friend's amendment.

Mr. FULTON: I do not quite appreciate the reason for the minister's reluctance to disclose the amounts which have been expended on the purchase of gold or currency of the United States. We fully discussed this matter in the banking and commerce committee, and in order to save the time of the committee, I am not going to repeat all the arguments we advanced at that time, but I would point out that at present we are limited to a very great extent in making an intelligent criticism of the effect on the gold and United States currency holdings of the board of the restoration of the Canadian dollar to par with the United States dollar, by the fact that we do not know how much gold or United States currency the board holds. All that this is is an attempt to get this information before parliament earlier than would otherwise be the case.

Mr. ABBOTT: I cannot agree that that information should be given sooner than the 31st of May in each year for the figures as of the preceding December 31.

Mr. FULTON: Well, if that is the case, and the minister refuses to accept the amendment, I will close by pointing out again to the committee of the whole that the effect of the amendment is merely to enable parliament to obtain, sooner than would otherwise be the case, information which would enable it to make an intelligent criticism of the operation of this board, and information which, if it had it now, would enable it to understand fully the effects of the restoration of the Canadian dollar to par in so far as any losses in United States holdings in the foreign exchange control board are concerned. At present we cannot make that criticism.

Mr. POULIOT: I can hardly support the amendment of the hon. gentleman because, for me, the only possible reform of the exchange control board would be to abolish it.

Amendment (Mr. Fulton) negatived.

Mr. HACKETT: This is an important section, because it confers upon an agency of the government great powers. The pedigree of an idea is sometimes interesting, and the idea incorporated in this section may be found, if nowhere else, in the Regina programme of the C.C.F. party. One finds in that document, in the second paragraph, the following:

> We aim to replace the present capitalist system.

Then, under the heading of planning:

> The first step in this direction will be the setting up of a national planning commission consisting of a small body of economists, engineers and statisticians, assisted by an appropriate technical staff.

Which to an extent might be either the wartime prices and trade board or the foreign exchange control board.

A little further down in this same programme of the socialist party one finds this statement:

> The commission will be responsible to the cabinet and will work in cooperation with the managing boards of the socialized industries.

Under the second paragraph, which bears the heading, "Socialization of Finance", we find this statement:

> Control of finance is the first step to the control of the whole economy. The chartered banks must be socialized and removed from the control of privaite profit-seeking interests; and the national banking system thus established must have at its head a central bank to control the flow of credit and the general price level, and to regulate foreign exchange operations.

I point out that this is a socialistic enactment, and because it is I am fearful of it, fearful of the principle which places in government the management and control of our economic system. The control of production, of wealth, is the control of human life itself. The relationship between what we sometimes call money or credit and production is so intimate that if we yield up the control of these essential elements to the government we are yielding to it control over our persons as well as over our property.

Mr. IRVINE: Will the hon. member not admit that almost every nation of the world to-day, whether socialist or capitalist, has found it necessary to resort to some form of control of exchange?

Mr. HACKETT: It is true that forms of control of exchange have been, shall I say, foisted on many an unfortunate people. Control of exchange obtained in Japan, in Italy, in Germany; it obtains, so far as our information goes, in Russia; and wherever these controls do obtain there has ceased to be any political liberty. The existence of party, as we know it, has been eliminated and replaced by a dictatorial oligarchy which has rendered life completely devoid of freedom.

To pursue the question further: forms of control have been introduced, I believe, in

Australia amid great financial and fiscal anxiety and upheaval, and likewise in New Zealand. Forms of control were introduced into France so effectively that France stood on the threshold of civil war and public commotion at the outbreak of the great war, and so effectively was that country hampered by the socialistic system that it failed in a moment of great crisis in what many Frenchmen considered to be their high mission.

We come now to England and we find there a system of control. The necessities of that great country have brought upon it very sad days. Whether financial control will succeed in relieving the situation of that people we know not. We know that under that system it has required the assistance of people like ourselves and the United States, and it is too soon yet to say to what extent it will succeed. But there are indications in the by-elections that have been recently held in England that the people have not confidence in their government, that it is a waning quantity. In the general election, the government supporter was elected by 19,000—that was less than a year ago—a successor to him has been elected in a very recent by-election by a very meagre majority.

The CHAIRMAN: May I interrupt the hon. member to remind him of standing order 58, subsection 2, which stipulates that speeches in committee shall be not only relevant, but strictly relevant to the item under consideration.

Mr. HACKETT: I am grateful to the Chairman for his admonition. I may say, in the first place, that I was endeavouring to answer a relevant and pertinent question by the hon. member for Cariboo. In the second place, I submit that anything I have said is entirely within the scope of section 5, which is now under discussion. I suggest to you, Mr. Chairman, that almost the entire bill seeds and stems from this section 5 and that I would be able, without going beyond the terms of the section, to discuss the bill in its widest aspects, because the germ of the whole enactment is here.

The words "exchange fund account" are above the section. The exchange fund account is a very large one. The minister will correct me if I am wrong, but it is several hundreds of millions, and possibly a billion dollars. Just how did that come into existence? Exchange is or was a commodity that was sold on the market like wheat or lumber. Competition in that market was very keen. The normal rate was one-eighth of one per cent. But when the amount was one of any size it frequently was reduced to one-sixty-fourth, and competition was so keen toward the end of the period which preceded control that it sometimes took a magnifying glass for the banks to find a profit. But when government came into control it immediately determined that the exchange should be one per cent. The government bought United States exchange for $1.10 and sold it for $1.11. The moment the government enters business the cost to the people is greatly enhanced. Whereas under the competitive system you and I paid one-eighth or one-sixty-fourth of one per cent for our exchange, under government operation we paid one per cent. Someone has been good enough to give me within the last few minutes the amount the government advanced to the foreign exchange control board to enable it to do business; it was between $1,300 million and $1,500 million. If hon. gentlemen will take the ordinary interest rates on a sum of that size they will see that the foreign exchange control board was handsomely treated by the people of Canada and that the expense of operating it is very high indeed.

It is not agreeable to me to criticize the persons of people who disagree with me. I do not wish any of the gentlemen who are in the service of the government to feel that because I cannot share their views I am critical of their persons. I do not share the views of the gentlemen who administer the Bank of Canada or the views of the gentlemen who administer the foreign exchange control board, and I am forced to the conclusion that through them we are introducing into this country modes and manners that are not well suited to this continent. In Europe the multiplicity and continuity of wars have forced the governments of those unfortunate countries to resort to methods of finance which are not indigenous to this continent and which I believe have no place here. We have brought here a central bank; we have set up here a foreign exchange control board, the result of which is to give a fictitious value to our money or to take from it a value that it has. We are making of our currency and exchange a plaything of this group who, sincere though they may be, are not men of experience, who are not men who have learned the lessons of trade and commerce in the hard school of experience. They came into office during the war, when we had to adopt methods that irked us all, that we might make an all-out effort in the championship of ideals in which we believed. The effort was a success; but now we find that the system we invoked to meet the great perils of the war still persists, that these gentlemen who managed our economy for a time, as a necessity of war, are still

to be expended either in the provincial capital or in some other suitable place as the provincial government may determine. I do not think all this money should be used for a national war memorial in one place. Let it be clear that this party will support the expenditure of money in Ottawa to make this a beautiful capital, not on the excuse that it is a national war memorial, but on its merits, and for no other reason.

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

On section 1—"National capital district."

Mr. ST. LAURENT: Mr. Chairman, when this measure was at the resolution stage the leader of the opposition asked certain questions with respect to it. I had some answers ready; but while the motion for second reading of the bill was being put by Mr. Speaker, an hon. member was already on his feet to take the floor, and no sooner had the last words left the Speaker's lips that that hon. member commenced. From that moment until two minutes ago, when the motion was put, there has been always at least one hon. member up before the preceding speaker had quite finished. Since it would take me more than the two minutes now remaining before eleven o'clock to answer the questions asked, I move that you do now report progress and ask leave to sit again.

Mr. CHURCH: It should be withdrawn and left as a municipal institution.

Section stands.

Progress reported.

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

END OF VOLUME IV

occur to me to-morrow. When the federal district commission undertakes its work I hope that this is one of the first things that will be done, because I think it will be a great attraction and a great convenience to tourists who visit the grounds. I hope that the Minister of Public Works will give attention to it. It may not come under the federal district commission at all. I thought that perhaps we could finish this debate to-night.

Mr. JOHN BRACKEN (Leader of the Opposition): On the resolution stage of this proposal I asked certain questions of the Acting Prime Minister (Mr. St. Laurent) who introduced it. I was not here earlier this evening, but I understand that he did not speak on this stage of the bill.

Mr. ST. LAURENT: He has had no opportunity yet.

Mr. BRACKEN: So far as I am concerned, he will have an opportunity in five minutes, if he chooses to take it.

The questions I asked at that time were these as reported at page 4385 of *Hansard*, I said:

> I am rising now to ask the minister if, when we go into committee to deal with the bill itself, he will give us a brief statement as to what has been done by the state in connection with this project, when it was started, roughly what has been done, the expenditures from year to year from the beginning, in tabulated form, and what the national war memorial aspects of this proposal are likely to mean in the way of increased cost to the state.

If we had some of that information we might have proceeded with more confidence at this stage. But I am sure the minister will give us that information later, if not to-night.

In the debate so far, we have heard comments regarding the recommendations of a joint committee which was set up a couple of years ago to consider the relations between the Canadian government and the municipality of Ottawa or the community of Ottawa. That commission made four recommendations. I shall refer to two of them. One was that the number of members on the commission should be increased, and another was that the appropriation should be increased to $300,000 a year—I think it was $200,000 before. The bill before us proposes what? The recommendation of the commission was to increase the grant to $300,000 for five years. The proposed bill suggests an appropriation of $300,000 a year for not less than fifteen years. In addition, it proposes to make available a lump sum of $3,000,000. It also proposes to call the project a national war memorial. As I see it, these are the main features of the bill before us. The committee which was appointed made no recommendation with respect to expenditures for fifteen years, made no recommendation with respect to a lump sum of $3 million, made no recommendation with respect to making this federal district project a national war memorial. Those features have been added by the government to the commission's report. I suggest that the government might have stirred itself to see that we had something more in the way of a detailed report from the French expert who has been retained to study this question and make recommendations. In the absence of that, rumour has it that, before we are through with it, this project will cost the state scores of millions of dollars. It is not expected that at this time anyone can see into the distant future, but if we had something more of the commission's ideas, to indicate what they have in mind, I am quite sure the house could act more intelligently.

With respect to beautifying the nation's capital, I have not heard anybody in this house disagree. Certainly I do not. Whatever the future may hold for me, I will stand with all those who desire to see that done and who will make the necessary sacrifices to see that Canada's capital is the most beautiful in the world, not because I want to make it the only war memorial in Canada, but because we should do this by reason of the fact that it is the nation's capital, and without any other excuse. I do not believe in making a national war memorial an excuse for spending a great deal of money in Ottawa. We do not need that excuse; and in addition, I do not believe all the money for a national war memorial should be spent in any one place. The provinces of Canada and all the people of Canada helped to win the war.

When this bill passes second reading, as it will, and is considered in committee I propose to advance two amendments. The membership of the commission is being increased, and the government is generously saying to the prairie provinces that they may have one member, and to the maritimes that they may have one also. At the same time they are saying to the city of Hull that they may have one, and to the city of Ottawa that they may have one. In any national war memorial proposal, if that is what this is to be, I think every province in Canada should be represented, and I give notice to that effect.

Then, if these large sums are to be used for the purposes of a national war memorial I am going to move that a certain portion of those moneys be made available for the same purpose in each province of Canada,

the capital, and the next step—perhaps it is of equal importance although in a different way—is to stop the pollution of the Ottawa river. If you want to beautify a place you have to get your underpinnings right, but as long as you continue to despoil this river by dumping sewage into it you will not have a healthy or beautiful countryside. However, everyone has his own ideas as to how it should be done.

I do not think we are justified in giving a blank cheque of $3,000,000 to the commission to spend as they see fit; and as I read the bill, that is the purpose of section 9. Last year we increased the grant from $200,000 to $300,000.

Mr. FOURNIER (Hull): You are speaking of the Ottawa agreement. This is not the Ottawa agreement.

Mr. HAZEN: But under this act we are going to spend about $300,000 a year, and, in addition to that, we are asked to vote $3,000,000 in the form of a blank cheque to the commission. When we vote money in this house we should vote it for a specific purpose instead of being so trustful. I do not want to be mean about this thing, but in looking through the estimates of the Department of Public Works I saw very large sums provided for the city of Ottawa which must help not only to maintain but to improve it, and I hesitate to vote $3,000,000 more at this time for this purpose. Perhaps if the Minister of Public Works and I could get together on Chance Harbour we might come to an agreement.

Mr. R. H. WINTERS (Queens-Lunenburg): Until just a few moments ago I was pretty well satisfied with the formation of this commission because, as hon. members said there was to be one member from the maritimes, I naturally assumed he would be from Nova Scotia and therefore I felt that I had no plea to make. But in view of the fact that hon. members from Prince Edward Island and New Brunswick have challenged Nova Scotia's right to have the maritime member on the commission, I simply want in a few words to assert Nova Scotia's undoubted right to have that representative, or, better still, I think each province should be represented on the commission.

Hon. members have spoken about and extolled the beauty of New Brunswick and other provinces, and I agree with them entirely. I do not feel that I need to say anything about the beauty of Nova Scotia, because all hon. members are fully familiar with it.

Mr. CRUICKSHANK: You have no apples.

[Mr. Hazen.]

Mr. WINTERS: Yes; we have apples in Nova Scotia, and I say to the hon. member for Fraser Valley that they are good ones.

Mrs. STRUM: Apple sauce, too.

Mr. BRIDGES: The female of the species is more deadly than the male.

Mr. WINTERS: I cannot compete on those grounds. I say, Mr. Speaker, since we have recently been left off the postage stamps, as hon. members have heard, we do not want to be left off this commission. Nova Scotia agrees with the proposal as set forth in this bill. We agree that Canada should have the most beautiful capital in the world, and we are quite prepared to make our contribution to it. We do not feel that this will go the whole way toward solving the problem of maritime rights, but I presume we shall have other opportunities to speak on that issue.

Mr. ANGUS MacINNIS (Vancouver East): Because of the hurry we were in yesterday I thought we would have completed this debate by the time I came in. When I left the chamber the Minister of Veterans Affairs (Mr. Mackenzie) was in Greece. I see that he is now back. Despite all that has been said in opposition to this bill, there are some things that may be said in its favour. Perhaps this is not the time to deal with it because there are so many other things that could be done. When the proposal was first made in September 1945, the leader of this group gave his blessing to it and he did it for the group. Therefore, if it is planned carefully and the commissioners appointed from all across the dominion as is proposed in the bill we should give it our support.

There is another point to which I should like to refer, but I do not know whether it would come under the federal district commission or not. I took it up with the Minister of Public Works (Mr. Fournier) early in the session. There is a walk around this building which up to a few years ago was known as "Lovers' walk."

An hon. MEMBER: What is it now?

Mr. MacINNIS: I do not know what it is now; it is not Lovers' walk because no lovers can use it.

Mr. MACKENZIE: How do you know?

Mr. BOUCHER: Are you too old to use it now?

Mr. MacINNIS: No; but I never climbed over fences for anything of that kind; I want to do it in the proper way.

Some hon. MEMBERS: Oh, oh.

Mr. MacINNIS: I imagine my Scotch humour does not take in the joke; it may

have made the statement that the maritime provinces are to be generously treated by having one member on this commission; and I must protest. Perhaps you may think that we in the maritimes are inclined to be, to use a vulgar word, "kickers", but we are so often ignored that we have been called the forgotten provinces of Canada. I do not want to be accused of going back too far into history, because we are told, whenever we complain, that we go back to confederation; but let me tell hon. members that when we came to discuss the question of confederation, certainly more than one member from the maritimes was called forward to discuss the plan.

Let me remind hon. members that we are one million people in the maritime provinces —no small population. We may not be known because on the map of this broad country we occupy a very small place. That may be the reason why we are not known. It may be because so few from the other provinces know our maritimers. I have been amused a couple of times since coming here by being asked, when I told a confrere that I had just returned from the northern part of New Brunswick, whether I had found the crossing of the bay of Fundy very rough. We know too little about the maritimes and that is why we are too often forgotten.

The hon. member for Kings, Prince Edward Island (Mr. Grant)—perhaps he was too humble—said that he came from perhaps the loveliest province in the dominion. Let me say emphatically that I think we in the maritimes come from the garden of Eden in the whole dominion. If it is beauty you wish to implant in Ottawa, then why not choose men who were born and who have lived amid the natural beauty of the dominion, in the maritime provinces? To them the knowledge of real beauty comes natural and I am sure they would be a great help on the commission.

I should probably also plead for the west, which is supposed to be represented by only one member, but they can defend their own rights. I do not want to be parochial or provincial, and therefore I will support the proposal that this commission represent every province in the dominion. The hon. member for Ottawa West (Mr. McIlraith) said that under the bill the commission could represent every province, that whoever might have the appointing of the commission might take a member from each province. I do not like the word "may". We in the maritime provinces have suffered too long as a result of depending on the word "may". There is too much uncertainty about it. We wish to have the word "shall" instead, and I hope that will be done.

Mr. NORMAN JAQUES (Wetaskiwin): While we are making up our minds as to the amount of money, or the amount of work which may be done in beautifying the city of Ottawa, I hope that in the meantime nothing will be allowed to impair the natural beauties of the Gatineau park. We speak of beautifying the federal district, but luckily for Ottawa in particular and the Canadian people in general, it is not a case of beautifying the Gatineau park but of preserving the natural beauties which are already there.

Even our C.C.F. friends would have no objection to the preservation of the natural beauties of the Gatineau district and the Gatineau park.

Mr. D. KING HAZEN (St. John-Albert): In the county of St. John in the province of New Brunswick there is a small settlement called Chance Harbour. The people who live there are fishermen, who make their livelihood on the stormy waters of the bay of Fundy. For some time past they have been endeavouring to have a breakwater established there to protect their boats from the sea. I have brought this matter to the attention of the Minister of Fisheries (Mr. Bridges) and the Minister of Public Works (Mr. Fournier). I have looked in the estimates this year and I find no appropriation for the establishment of that project. I am willing to enter into some dickering with the government, and I would possibly consider voting for this large sum of money if the Minister of Public Works, the Minister of Fisheries and the government would give some attention to the needs of the people in that constituency.

Mr. SPEAKER: The hon. member is out of order.

Mr. HAZEN: I will not pursue that matter any farther. I have gone as far as I need in that direction. I believe that Ottawa should be beautified and improved as the capital of this great dominion. I think we all agree that, while the fathers of confederation were very wise in many respects, they were short-sighted when it came to laying a plan for the development of this city. I presume we all have our ideas of how it should be done, but if I had the planning the first thing I would do would be to establish a boulevard from the main entrance of the parliament buildings to the museum. The establishment of a boulevard right down Metcalfe street would be the first step to take if we want to improve

a national library. The need of a national library is very great. A national gallery is another. And there are other national projects. What I am saying now is that the idea of development of a national capital area does not need to be supported by the idea of a national war memorial, the need of which existed before the war and would have been with us had there been no war. So let us not confuse these ideas.

There is one other thought to which I should like to give expression. I am, I hope, no narrow Canadian nationalist. I hope that in the breadth of view that will prevail in parliament we shall always be willing to learn where we can from other peoples. But I should like to think that in years to come, when this national area has been developed and visitors come here and express admiration of it, we shall be able to tell them that it is a Canadian expression of the conception of the national capital. In saying that, I should like to see those immediately charged with responsibility for the development of the capital area free to consult the best advice anywhere in the world; but I want to see this conception developed as a Canadian conception, the driving force behind it Canadian, the expression of thought Canadian, and the work carried out principally by Canadians. Let us consult others and get the best advice where we can, but let the work be carried out by Canadians. We have the experts here who can do it, and do it in keeping with the national objective.

In conclusion, Mr. Speaker, I think we all agree that we do not wish to see lavish expenditure made. We want an adequate return for all expenditure. I think that principle ought to guide us in connection with all our planning, whether of war memorials or the development of the national capital area or in any other way. Before sums are voted for the development of the area, apart from those immediately provided in the bill, we shall wish to see the plans; we shall wish as a parliament to be satisfied that the plans which are developed and the way in which it is proposed that the work be carried on to a conclusion will be in keeping with the national objectives. Let us encourage the planning; but before large amounts are voted to put the plan into execution, it must be submitted to parliament, and parliament must have full opportunity to record its approval or disapproval.

Mr. E. G. McCULLOUGH (Assiniboia): Mr. Speaker, I could not allow this bill to go through without rising to speak upon it. I want to criticize as strongly as I can the timing of this bill. When I do so I do not think I am less a Canadian than any other hon. member, nor do I say that I am not in favour of the beautification of this city. When I first came here the beauty of Ottawa and the surrounding district appealed to me very much, and I think it is one of those odd psychological facts that those things which are beautiful we like to make more beautiful. Two of the recent speakers on the government side said they came from the most beautiful part of Canada. While one may not be able to claim as much for the province from which I come, it is yet one of the most important provinces in the dominion; and had it not been for the good fortune of rains this year, that great area where we grow so much wheat and other produce to feed not only the people of Canada but the peoples of the world would have been a source of great worry to all hon. members, because we would not have been growing any appreciable amount of wheat and other foodstuffs. This bill asks for appropriations from the consolidated revenue of this country of $300,000, and when I read press reports, with which I agree, that under the Greber plan perhaps $300 million will ultimately be required for the beautification of this area, I say very strongly as a democratic socialist that we should put first things first. I come from an area of this dominion where I have seen people moving out of that "Palliser triangle" by the hundreds and the thousands into other parts of our province to try to get a livelihood, just because this government and past governments have not seen fit to make provision and set on foot undertakings to give irrigation to those areas where we can harness our rivers and assure our people of the production of crops, and I say, therefore, that this bill is inopportune.

When it is said that we should beautify this district and be proud of it as a national capital I quite agree. I believe all hon. members are of opinion that we should have the finest and most beautiful capital possible. But it is an economic contradiction that throughout the world we see beautiful capitals which have been built up, and right alongside these evidences of wealth we find scenes of abject poverty. That is true even of this country. We do not have to go many miles, not only from our capital city but from other urban and rural areas, to find similar conditions. So I say as a socialist that we should put first things first; and when our scale of living is brought up to a decent standard, when we have health insurance and the rest, the time will have come to introduce a bill such as this.

Mr. C. T. RICHARD (Gloucester): Mr. Speaker, I had not intended to take part in this discussion—I approve the principle of the bill—but I notice that other members

Galt was not founded by John Galt, the great Scottish colonizer and settler of western Ontario. It was settled, before John Galt came to Upper Canada, by Absalom Shade and was known as Shade's Mills when John Galt came to visit it—

Mr. MACKENZIE: That is correct. He cut down the first tree. There began the real development of Galt, Guelph and Goderich.

Mr. FLEMING: Absalom Shade named this settlement "Galt" in honour of the visit of his friend John Galt.

Mr. MACKENZIE: That is correct.

Mr. FLEMING: But we are far from the city of Galt at the moment. This city of Ottawa is one that no one can come to as a member of parliament does without being very proud of it. Prior to entering parliament, I had been a frequent visitor to the city of Ottawa, but I must confess that I never fully appreciated the beauty of this city and especially the majestic beauty of these buildings and of the hill on which they stand until I entered parliament. I think those who were responsible for selecting this site for the home of Canada's national parliament were men of great vision to whom we owe an inestimable debt of gratitude. This majestic and dignified building is worthy to house this nation's parliament, and this great hill on which it rests is undoubtedly one of the beauty spots of the nation. Any man who calls himself a Canadian need have nothing but pride in the location of these buildings. It is to be regretted that many of the other government buildings in this city are not in keeping with these majestic parliament buildings. I think we ought to take from them our inspiration in seeking to develop in this district sites worthy of the national capital.

I was glad to hear what the Minister of Public Works (Mr. Fournier) had to say to-night, because he gave expression to a thought that has impressed itself on my mind many a time as I have strolled around the rear of the parliament buildings and looked over the expanse of the Ottawa river to the lovely Gatineau hills beyond. Whoever was responsible for permitting the location just across the river, in sight of all who visit the parliament buildings, of a match factory from which every vagrant breeze blows sulphur fumes across these grounds and into this building was surely lacking in foresight. I hope that the Minister of Public Works and those charged with the responsibility for making plans for beautifying this capital area will see to it that provision is made for clearing up that unsightly picture immediately on the other side of the river and eliminating those sulphur fumes.

I entirely endorse what the Minister of Public Works said to-night about the necessity of taking a broad view and making both sides of the Ottawa river contribute to the beauty of this district. I have always been an enthusiastic advocate of municipal planning and had something to do with efforts in that direction in the city of Toronto. One thing that can be said with certainty about municipal and community planning is that the longer it is deferred the more costly it becomes. To those who feel that the prospect before us now is one of substantial expenditure, may I say that if we leave it much longer, the cost will be so much greater. So, if we believe in planning, let us begin now and lose no more time.

I wish to make one reservation with reference to this bill and any support I give to the general idea of a national area which will be a credit to the nation. I draw attention particularly to it because of the explanatory note which appears in the bill. I read the first sentence.

> The purpose of this bill is to amend the Federal District Commission Act, 1927, so as to enable the commission to discharge more readily the duties that will devolve upon it in connection with the development of the national capital area as a national war memorial.

I wish to make it perfectly clear that, as far as I am concerned, as one member of this house, the two thoughts are entirely separate and distinct. The development of this capital area ought to stand on its own feet, without reference to any national war memorial. It should be a national objective which has no reference to the war and no reference to the memorial. It should be a national objective because, being the kind of nation we are and hope to be, we ought to have here a capital that is worthy of the nation, regardless of war memorials. If we are to think in terms of war memorials, frankly, I can think of some types of memorial which would be much more in keeping with the conception of an adequate national war memorial than the development of this federal area.

Mr. ROBINSON (Simcoe East): Will the hon. member please name them?

Mr. FLEMING: I should be very glad to give a number of them.

Mr. ROBINSON (Simcoe East): Please do.

Mr. SPEAKER: Order.

Mr. FLEMING: To begin with, as the hon. member for Temiscouata (Mr. Pouliot) said,

war memorial. If we are to apply this money to the building of a war memorial, it should be spent in the nine provinces of the dominion. Instead of the money being spent only in this city, it should be spent in Toronto, Montreal, Saskatoon, Calgary and all across the dominion. I can see no reason why we should be asked at this time to vote—

Mr. RICHARD (Ottawa East): $20,000,000 for Sunnybrook.

Mr. COCKERAM: The hon. member for Ottawa East is being very funny.

Mr. RICHARD (Ottawa East): I am not funny.

Mr. COCKERAM: I think this is the first time I have heard him speak in this house.

Mr. RICHARD (Ottawa East): You are wrong.

Mr. COCKERAM: I may be wrong and I am willing to admit it.

Mr. MACKENZIE: He spoke very well, anyhow.

Mr. COCKERAM: I admit that, but at the same time—

Mr. MACKENZIE: What is your kick?

Mr. COCKERAM: Both members for the Ottawa ridings must support this bill, but I believe that this government has a greater duty than to vote money for the city of Ottawa. I believe that the money we have voted in the past has done much over a period of years to relieve many of the unfortunate situations that have arisen. When we talk of a war memorial, why should we spend a colossal sum, to which it appears to me there is no limit, on this one city? After all, the men who volunteered and went overseas in the Canadian army came from every province of the Dominion of Canada. Very few people in this dominion find their way here in a period of a year or many years. If we are to spend a colossal amount of money on a war memorial, spend it in beautifying the capital cities of our provinces from which these men went to serve overseas.

I have no objection to spending money for the beautification of Ottawa. I believe it is a good thing to do. But why centre a national war memorial in this city? We have a national war memorial here now, the Peace Tower, which is a great memorial that compares with the memorial in Edinburgh which many of us have seen. I believe that if we are to do something worth while and want the people of this country to see something for the money spent we should spend this money in the provincial capitals throughout the dominion.

[Mr. Cockeram.]

Mr. H. W. HERRIDGE (Kootenay West): Mr. Speaker, I rise to support wholeheartedly the principle of this bill and to endorse the remarks made by previous speakers from British Columbia and others who have supported the bill.

In a matter like this, I think we should certainly avoid taking a parochial outlook. This is a national matter in the national interest and I think we should maintain the correct perspective. I am as anxious as any other hon. member to see increased old age pensions, better social security benefits and that everything possible be done for the working people as a whole, but I cannot see any logic or sound argument in criticizing what, after all, is a small expenditure when one compares it with our national expenditures as a whole.

I have always been interested in taking around this building people from my own province of British Columbia, particularly young people. A nation does not live by bread alone, and when you take young people and older people around these buildings you have evidence of the fact when you see how inspired they are by the buildings and surroundings and by the fact that they have had an opportunity of visiting their national capital. I think, this proposal further to beautify the federal district will be an inspiration not only to individuals but to other cities in Canada, to every town and every village and to every Canadian who has an opportunity to visit this district. I am quite sure that, as the years go by, the greatly increased facilities for travel will enable great numbers of Canadians to visit the national capital and have an opportunity personally to see the scheme as it is developed.

I want to support two objections that were raised to certain features of the bill. I think every province should be represented on the commission so that we can call it a truly national commission or committee.

I am certainly not in favour of seeing this scheme promoted as a scheme for a national war memorial.

Mr. DONALD M. FLEMING (Eglinton): Mr. Speaker, the Minister of Veterans Affairs (Mr. Mackenzie) is responsible for my participation in this debate. In his stimulating historical review he began with the city of Athens and wound up at the city of Ottawa. In the course of his tour he arrived at the great city of Galt, my native ctiy, and I feel compelled to participate in this debate to offer a word of correction of the historical reference made by the Minister of Veterans Affairs to that lovely city. It is the city with which his tour should have begun.

commissions, but if we are to have at least fifteen members I think I would be safe in saying that this bill will not pass before Christmas if each province is not represented.

Mr. MACKENZIE: Maritime rights.

Mr. GRANT: Maritime rights. The hon. member for Ottawa West (Mr. McIlraith) got around it very nicely when he said that there would be a member representing each part of Canada. He would consider the maritime provinces as a part of Canada. I want the hon. member and others to remember that confederation was born if not conceived in Charlottetown, the capital of Prince Edward Island. God himself decorated that province and we do not have to decorate it ourselves. Therefore we are ready to bear our equal share of the decorating and beautification of Ottawa. I ask the government to reconsider this matter. Since there are to be so many members on the commission, each province should be represented.

Mr. J. T. RICHARD (Ottawa East): Mr. Speaker, being a representative of the most beautiful part of the capital area, I think I should rise in support of this bill and, in doing so, I think I am reflecting the feelings of all hon. members when they seriously consider this bill. For many years the House of Commons has approved the principle of this bill, and the only thing now before us is to decide whether we shall go ahead and make this national area a real one. Credit should be given where credit is due. In addition to commending the work of the commission, I think great tribute should be paid to the Prime Minister (Mr. Mackenzie King). When he came to Ottawa from another part of Ontario he immediately took an interest in the development of the greater Ottawa area. If the Prime Minister should ever consider leaving active politics in the near future or at any time I hope he will consent to remain as adviser to or perhaps act as a director of the federal district commission.

At times the people of Ottawa do not like it to be said that Ottawa should be beautified, because they feel that this city has a natural beauty which cannot be improved by human hands. The people of Ottawa support this plan because they are citizens of this country. In paying tribute to this capital city, they are only doing what other parts of the dominion are doing. I wish we all had the same spirit in connection with this bill. A while ago the hon. member for Wood Mountain (Mr. Argue) spoke in a prejudiced manner. He approached this subject as though the delay of the beautification of this area would bring about more social measures or do more socially for other parts of Canada. He said also that this bill had not been timed properly. I think the only thing wrong with the timing is that it is a little late.

We should go ahead as quickly as possible with the beautification plan for this capital area. We in Ottawa would like to have the Greber plan made public as soon as possible. At times blame is placed on municipal, provincial or federal authorities because no one knows just where to place it, but you cannot really blame any authority until you know what the plan is going to be. There has been some delay on the part of certain municipalities in the district in doing this or that because they did not know just what to do. Now that the war is over, the Greber plan should be made public so that every one can cooperate and put it into effect.

For example, I am thinking of the approaches to Ottawa, such as the Montreal road. Representations have been made to me on many occasions by the citizens of Eastview. This road has been used more or less as a national highway, and the only reason the municipality has not done anything about it is that they are not sure whether it will be part of the plan for the capital area.

In conclusion, I can only say that it is always difficult for an Ottawa member to insist too much that he is attached to this plan, but as one who was born and raised here and whose soul is in this centre I trust that the members will not consider this question in any other way than as citizens of this country and will do all in their power to make the Ottawa area a beautiful capital and the soul of this country.

Mr. ALAN COCKERAM (York South): Mr. Speaker, until the last speaker had spoken, I had thought this was to be in the nature of a memorial to the men who served overseas, but now it seems that it is to be more or less a memorial to the Prime Minister (Mr. Mackenzie King). I believe in the beautification of Ottawa, but I believe also that there should be some limit on the money spent.

Mr. McILRAITH: The money is voted in the ordinary way; you have every control over it.

Mr. COCKERAM: The hon. member for Ottawa West (Mr. McIlraith) is quite interested because this is in his constituency and it is only natural that he should go out and bolster up the thing. It is true that money has been spent over a period of years and that parliament has voted money for the beautification of Ottawa, but now we are being asked to vote additional money for a

they live in Ottawa or not, whether they will ever see Ottawa or not, I cannot support this bill.

Mr. REID: $96,000,000 for Saskatchewan.

Mr. F. E. LENNARD (Wentworth): Mr. Speaker, in rising to speak on this bill for a moment, I want it distinctly understood that I am thoroughly in favour of this beautification scheme in connection with the federal area. I am inclined to agree, however, with the view of the hon. member for Fraser Valley (Mr. Cruickshank) that we should know where this money is to be spent. By that I mean we should know what part of this scheme is to be undertaken first. Before this bill was discussed, I think we should have had the report of the planner, Jacques Greber. I think we should know whether the plans call for the immediate removal of the cross-town railway tracks and the temporary buildings. We should know something of what is to be done during the next few years. Are they to improve the east and west blocks? Do they intend to relieve the traffic congestion on what is called hell's half-acre, Confederation square? Some mention of that was made to-night, and I believe the city of Ottawa was criticized for the present state of affairs there. My understanding is that the city of Ottawa had very little to do with the planning of Confederation square, so that we cannot blame the city for any traffic jams that occur. I believe it is a federal matter, which should be straightened out by the federal authorities.

Mr. REID: It is bad, anyway.

Mr. LENNARD: Yes, it is bad.

Mr. FOURNIER (Hull): It could have been worse.

Mr. LENNARD: There is one feature which I do not approve, however; that is the development of this area as a memorial to those who served in the armed forces. I believe we should have an improved federal area; but, as another hon. member said this evening, let the various municipalities and provinces create their own memorials for those from their own districts. Then, if I might offer a suggestion to the commission, it would be that this red brick monstrosity directly in front of these buildings, the Victoria building, could very well be removed.

Mr. FOURNIER (Hull): There is no relation at all between that building and this bill. The commission has nothing whatever to do with any of those buildings; that is the public works department.

[Mr. Argue.]

Mr. MACKENZIE: And would you please remove the Daly building?

Mr. LENNARD: Finally, Mr. Speaker, since it is to be a memorial to our armed forces, how is it proposed to commemorate their accomplishments within the area? Will it take the form of another cenotaph or a hospital or what?

Mr. FOURNIER (Hull): I do not know. If they follow my advice the first building to be put up would be a building for the veterans.

Mr. LENNARD: Finally, I suggest that after some of these other buildings which may be considered more important are erected, the matter of a national gallery be given early consideration.

Mr. G. R. PEARKES (Nanaimo): Mr. Speaker, a few days ago I found it necessary, for my own comfort and that of other members of this house, to object to the noise which was heard around Confederation square. At that time I said I would be unable to support any bill designed to allocate any money to the federal district commission. I do not know that my threat really affected the government or that they were influenced by it at all, but I should like to take this opportunity to thank the Minister of Public Works (Mr. Fournier) if he had anything to do with it, the municipal authorities and the street railway authorities for having rearranged their schedule of work so that hon. members are no longer disturbed between the hours of midnight and three o'clock in the morning. Therefore, since I am of a forgiving nature, I shall not be influenced at all by past events in coming to a decision as to whether or not I should support this bill.

Mr. MACKENZIE: May I inform my hon. friend that we always give him a good hearing?

Mr. T. V. GRANT (Kings, P.E.I.): Mr. Speaker, as the senior member for perhaps the most beautiful province in Canada—and I am very modest in using the word "perhaps" —I should like to place on record one principle, one ideal; and I shall not delay the house if I am given a good hearing. The hon. member for Fraser Valley (Mr. Cruickshank) and the hon. member for New Westminster (Mr. Reid) have stated that there is a member from their province on this commission, and I thank them for coming out in the open and saying that there should be a member on the commission representing each province. I do not believe in large

was procured by the federal district commission at low cost. The actual work of the commission deserves the highest praise. They have performed their work efficiently and inexpensively to the taxpayers of Canada. They have one other duty which has not been emphasized much to-night in the development of the area, and which is important, namely the coordination of the work as between the different municipalities. The duties of the commission in coordinating the activities of the different municipalities in internal developments which are within the jurisdiction of the municipalities are important ones. They are not ones which involve any expenditure of public funds.

Perhaps I need not say any more to-night. I wish to thank hon. members at large for the expressions of opinion which we have had to-night. Generally speaking, I believe that the approach was fair, and I am particularly pleased to see hon. members from outlying areas view this bill for what it is, namely, an attempt to supplement and complete the legislation dealing with the development of our national capital.

Mr. H. R. ARGUE (Wood Mountain): I find much in the bill with which I am in agreement. I am sure I should like as much as any other member to see Ottawa beautified. However, the emphasis to-night seems to have been put on making it a capital city for tourists to see, especially tourists from other countries. Most of the people whom I represent will never have an opportunity of being in Ottawa because they will never have sufficient money to buy a railroad ticket to come this far; therefore, I think we should consider beautifying not only Ottawa but other parts of Canada as well.

I notice that the Minister of Public Works (Mr. Fournier) made several references to beautifying Hull. I also noticed that the hon. member for Temiscouata (Mr. Pouliot) emphasized that slum areas be cleared. When the government gets around to beautifying Ottawa I hope that it clears the slum areas in these two cities, which, in my opinion, will add to the beauty of this area more than any other single thing. If we want a beautiful nation for tourists from foreign countries to observe we might start by beautifying the slums in Halifax. We might try it in Montreal. Riding on the Canadian National railway trains from Montreal, one sees acres and acres, if I might put it in that way, of slum areas which are indeed a disgrace to this nation. So I say, when we are trying to beautify Ottawa, let us also attempt to beautify other parts of Canada.

The single thing to which I most object is the timing of this bill. If I may use the argument that has been used time and again by government members, an argument with which I am to some extent in agreement, we are indeed in an inflationary period. The government does not need to take my word for it. Donald Gordon says so, and anything Donald Gordon says just must be so. Here we are contemplating the expenditure after March 31 next of upward of $3,300,000. At the same time, when the workers of this country want an increase—

Mr. SPEAKER: Order. The hon. member is totally out of order. The bill before the house is to amend the Federal District Commission Act. It does not concern labour conditions at all, and I would ask the hon. member to confine his remarks to the principle of the bill.

Mr. ARGUE: I accept your ruling, Mr. Speaker, but I was just saying that if $3,000,000 spent in the beautification of Ottawa is not inflationary then $3,000,000 spent in any other way, whether it be for the wages of labour or anything else, is not inflationary either. You just cannot have it both ways. I support this bill if it is implemented at a time when the inflationary period is over.

Mr. REID: Would you mind telling us where the $3,000,000 comes in?

Mr. ARGUE: There is a provision in the bill which says this amount may be spent after March 31 next. The hon. member can read the clause for himself.

Mr. REID: That has been there for years, but they have never spent the $3,000,000.

Mr. ARGUE: That is all right; they are given authority to spend it. I shall support this bill when the old people of Canada are treated properly. I shall support this bill when the workers of Canada are given decent wages.

Mr. SPEAKER: Order. I have not permitted that kind of debate, and I will not permit the hon. member to go farther. I would ask him to be kind enough to speak on the principle of the bill which is before the house.

Mr. ARGUE: I am attempting to keep within the confines of this bill, because when money is spent, no matter what it be spent for, it is not going to affect just the city of Ottawa. We all know that. It is going to affect the whole nation. Until I am convinced that something better is being done to improve the conditions of all people in Canada whether

national capital in a way that is worthy of the nation and fitting to the capital of the nation.

I had deliberately refrained from speaking in the earlier stages of the measure, and in fact I intended not to speak to-night, for the very reason that I wanted to have this measure approached rather as something having the approval of all parties in this house, and to have the measure visualized not as one brought forward by any party having a special interest in the matter or by any members from the particular area having such an interest.

I must say that I felt myself impelled to speak especially when I listened to two speeches from members of the Cooperative Commonwealth Federation. Perhaps it is putting it somewhat mildly if I content myself with saying that those speeches were distressing; distressing not because the hon. members oppose the bill; that, indeed, is their privilege; but distressing because of the tone of the speeches.

Very early in his speech the hon. member for Humboldt (Mr. Burton) said that he spoke only for the members of his constiuency. He then continued to speak for some considerable time. The only comment one could make about the tone of his speech is that if it is read by any of the electors of Humbolt it will appeal only to their prejudices. I hope that he did not intend that. When he reads his speech I hope that he will see that that is so and that he will seek to correct it at the appropriate moment, as that can be its only effect. I should like to remind him that the citizens of Humboldt are Canadian citizens. They are interested in this country, vitally interested in it, in common with the citizens of all other constituencies. This is a measure having to do with the development of a national capital, their national capital, as well as the national capital of all other parts of the country. When he speaks to his electors, as he promised he would do, I hope that he will approach the subject in that light and that he will remember that hard fact, however much it might upset what might otherwise be an easy speech to make to his electors.

The timing of this bill is particularly appropriate. During the war years it was proper and necessary to lay aside energies which would be devoted to this subject and direct them into more appropriate lines. But in any event, as the result of some activities in which I may properly claim some considerable part along with others, a committee of the two houses of parliament was set up in 1944 to deal with the subject, not of the development of the national capital as such, but with the agreement between the corporation of the city of Ottawa and the dominion government. I should like publicly to acknowledge the good work done by the members of all parties on both sides of the house who sat on that committee. I am glad to see the realization of most of the recommendations of the committee and their development into actual legislation and the appropriate steps which are necessary to give effect to the recommendations of the committee.

To-night some reference has been made to the representations from other parts of the dominion. As a representative of a part of the city of Ottawa, I may say that I am wholly in accord with the sentiments expressed, and indeed I took my part, along with others, in suggesting that representation should be given to all parts of the country in order that the matter would be approached in a proper way and not in any section way. But I would point out to the members who have dealt with this subject and apparently share the views I hold on the matter, that they are not wholly accurate in reading the section of the bill in the way in which they do. In appointing the commissioners, the government may appoint thirteen from different parts of the country. Only two of the appointments are to be specific appointments from specific areas. Then there is a provision that five of the others shall come from the maritimes or the western provinces, Ontario and Quebec as the case may be. I would point out that there is nothing to prevent the government from appointing one member from each province, if the proper person is available, interested in the subject and prepared to give the time and energy which are required.

There is one other point I should like to emphasize. In the early speeches to-night a great deal of reference was made to the city of Ottawa as such, and the development of the city of Ottawa. That is not the correct view of this legislation. If hon. members will examine the subject more closely they will find that it deals with the development of the whole district, the capital area, and indeed the greater part of the area is outside the city of Ottawa. I hope that the mistake will not be made of viewing it solely as a city measure, because that is not supported by the facts.

Mr. HACKETT: Does it extend to Hull?

Mr. McILRAITH: Yes. A great part of the property owned by the federal district commission is considerably north of Hull, some ten miles north of Hull. It is fine park land in the Gatineau area, and incidentally

the terminus a little further out. I understand that no instructions have been given by the government to the federal commission to request a meeting of the railway companies looking toward this great improvement.

The union station should also be improved. That was recommended by the committee. So far, however, no steps have been taken in that direction.

When I last spoke I made reference to the beautiful tulips that were growing out here this spring, and since I made that speech I have received six or seven letters castigating me about the things I said about this gift from Holland. I am not taking back one word of what I said about the gift to Canada. I did say that these bulbs were some of the nicest I have ever seen, but I still remember that during the years of the war, when other countries were turning their grass lands and, indeed, all the land they had into land for the production of food, Holland was preserving these bulbs, and naturally they grew to a great size. When the war ended, the devastated countries around Holland were unable to send anything out, whereas Holland was in the right position to export bulbs, samples of which reached Ottawa, Montreal and Toronto.

I have always been curious to know why these three cities were chosen—Ottawa, Montreal and Toronto. We did not expect any in British Columbia because we do grow beautiful bulbs out there. Our growers produce splendid bulbs. But in view of the fact that I have received seven castigating letters, I repeat what I said on that occasion. It was a straight business deal on behalf of Holland and they made a pretty good job of it. I admired the bulbs, but from the advertising point of view it has done them more good and we in British Columbia will probably have a harder time in selling bulbs to the people around here.

Mr. CRUICKSHANK: Except that ours are better.

Mr. REID: I am going to make a suggestion. I do not know under whose authority it would come, but I offer the suggestion in all seriousness. We are going to enlarge the personnel and take in all the provinces, and I hope we so enlarge it as to take in all three maritime provinces instead of having one representative. I suggest again that the provinces be asked through the provincial governments and their representatives to have plots of ground set aside on parliament hill, if that can be done, so that each province may there display its interest and demonstrate what can be and in fact is grown in the province represented in any particular plot. I know that many provinces may not wish to take advantage of that proposal; nevertheless, those who do wish to take advantage of a plot on parliament grounds, or who wish to take an avenue or a portion of an avenue for the planting of trees, should be given every encouragement to do so. Members from the various provinces would be watchdogs and would see that the trees were looked after, and the representatives of each province would take pride in what was being done in that regard. Each province so represented would take a greater interest in the national capital than would be the case if this suggestion were not carried out.

I am not going to delay the house any longer. I thought I would put on the record the recommendations of the committee and at the same time try to correct one or two statements that have been made, pointing out that the $300,000 given under this bill is not all for the beautification of Ottawa. As a matter of fact—and I say this in all sincerity—I do not think we are giving enough money. I make a further suggestion. Leading into Ottawa, the highways should be modernized by the federal authorities, because you cannot expect some little municipality two or three miles on the outskirts of Ottawa to bear the burden of the cost of a modern highway.

The approaches to a city have a wonderful effect on visitors who come in cars. We are living in the days of modernized vehicular traffic and we must have modernized highways. I went up the Gatineau two Sundays ago. What the great drawback is about visiting the 16,000-acre farm under the federal district commission is the lack of roads. I did not suffer greatly going over some of the rough corduroy gravel roads, but I said to the superintendent of the federal commission, Mr. Hay, "I doubt very much whether our United States visitors would ever come back to see the beautiful lakes in the Gatineau area after travelling over these corduroy roads." As everyone knows, the roads in the United States are splendid. They are very comfortable to travel on and motors are built especially for such splendid highways, but none of them will travel twice over roads such as I travelled on in going up the Gatineau two Sundays ago.

I am all in support of this measure, Mr. Speaker, and the passing of it.

Mr. G. J. McILRAITH (Ottawa West): As member for the greater part of the city of Ottawa and, indeed as member for the part of the city of Ottawa in which these parliament buildings are located, I particularly welcome this bill. I also welcome it because it represents one more step in the achievement of some ideas I have held and tried to assert at appropriate moments in the appropriate places with respect to the development of our

million from the people of Canada by way of subsidies, should now object to $300,000 being spent in the capital city. Perhaps it is because it is not for Saskatchewan, but for the Dominion of Canada. And might I remind the hon. member for Humboldt that on that committee was a member of his own party. The report made to the house in 1944 was unanimous, and the $300,000 which is proposed in this bill was the amount recommended in 1944 by that committee. I do not suppose that the people of Humboldt will hear about the $96,757,000 that has been given to the people of Saskatchewan by all the taxpayers of Canada. They will probably hear about some cement, and someone not sleeping, and the lack of this and the lack of something else.

However, I did not rise particularly to try to enlighten the people of Humboldt as to the actual expenditure of this money, but I think the record should be kept straight, that the money which is to be spent under this bill is not altogether for the beautification of Ottawa. If anyone would care to read the report he would find that over $55,000 is spent annually around the parliament buildings and other public buildings by the federal district commission, and I could give the items on which these expenditures are made. There is a water-sprinkling system which costs the city of Ottawa $23,500 annually; there is a lighting system for the various driveways which costs $5,000; there is also the collection of garbage and a scavenger service in respect to the various buildings, including the parliament buildings here; and there is the removal of snow and clearing of the walks around parliament hill which, as everyone knows, are kept fairly clean throughout the early part of the year when we are here. I think that in fairness those facts should be placed on record so that the matter may be put more clearly before the members of this house.

I want to make one comment regarding the proposal of the hon. member for Fraser Valley (Mr. Cruickshank) that the commission should be enlarged to more than thirteen. With that I am in hearty accord, because the recommendation of the committee on page 172 of the report reads:

> In order that such development may be coordinated in general with what has been already laid down, we suggest that the powers of the federal district commission be increased and its personnel be enlarged to include not only representation from the Ottawa area but from the people of Canada as a whole.

I cannot see how the people of Canada as a whole can be represented if you have representation from seven or eight provinces and then appoint only one to represent the three provinces of the maritimes; and I would suggest to the Minister of Justice (Mr. St. Laurent), who is piloting the bill through, that representation be given to every one of the maritime provinces, in compliance with the report of the commission.

Mention has been made of the architect from France, Mr. Greber. I was on the committee, and I will repeat what I said then when the federal commission came before that committee. One of the objections I had to Mr. Greber was this: France and Great Britain and the other countries of Europe are old countries. They have historic buildings dating back a thousand years and more, and the architecture which is suitable for those countries is not suitable for modern countries like Canada or the United States. Regarding Confederation square, I used to wonder as a boy about the sentence in the good old book which spoke of "the quick and the dead", but it was not until I tried to get around Confederation square that I realized that the "quick" is if you get across, and the "dead" if you don't, for you are no more, so that the scriptural reference to the quick and the dead is being fulfilled down on Confederation square.

To me it is most unfortunate that the parliament of Canada, in keeping company with the city of Ottawa, did not start earlier with their plans. They have developed Elgin street right up to the great war memorial. I am not a town planner, but I think everyone will agree with me that Metcalfe is the street that should have been widened, and it should have been widened up to the museum. It should have been made a wide and spacious street right from the parliament buildings down, and in the course of conversations with persons born in Ottawa, when I suggested this they have said to me, "Well, Mr. Reid, you don't know just how this council of ours works. Many of these things might have been done, but there was real estate to sell on Elgin and other streets and so we were not too keen about making this the capital." But even at this late date the beautification of Ottawa, and the undertaking to make it the real capital city of Canada, of which everyone could be proud, should be further considered, and to this end we should widen Metcalfe street from the front gate of parliament straight to the museum. That, I think, would be a far better approach to the parliament buildings. It would be better than further developments of Elgin street.

The committee in their report made some recommendations which have not yet been dealt with by the government, and one of them was to have the railroads coming into Ottawa routed under a subway, or in some way have

of the work they are doing, and I think it is up to the people of this country to see that when visitors come here they will be able to see not only what is beautiful on this side of the river but also to enjoy the same thing on the other side of the river. We speak of good relations between the provinces and of unity. Would that not be a nice way to bring about good relations and unity among our peoples? On this side of the river the people are English-speaking; on the other side they are French-speaking. Let us develop the capital district on both sides of the Ottawa river. I live on the other side, but I am closer to the parliament buildings than a good many people here in Ottawa. When the interprovincial bridge is open it takes me only five minutes to come here from my home.

The purpose of this bill is not the expenditure of money for just to-day or to-morrow, but to plan for the future and to have a capital which will be the pride of the Canadian people. The hon. member for Carleton (Mr. Boucher) has the right idea. He does not think of this as a bill applying only to the city of Ottawa. He knows it applies to the whole federal district. We intend to try to cooperate with the different municipalities in the planning of their own developments, so that, as the years go by, people will like to come, not only to the city of Ottawa and the county of Carleton, but also to the other side, to the city and district of Hull.

Mention was made of Mr. Greber and the progress of his plans. Mr. Greber is the only Frenchman on that committee which is devising a master plan for the national capital. The committee has a staff of thirteen people who are working in Ottawa on this plan, and I understand that in six or seven months Mr. Greber will be ready to make his report. I am not going to discuss his qualifications, but I believe he is well qualified. Perhaps somebody else believes that others would be better qualified. That is a matter of opinion. But I think Mr. Greber will do quite a good job.

As to the bridges mentioned, we know we need bridges; but before building them so far away from the capital city, I think we should try to build some reasonably satisfactory bridge right in the centre of the city or in close vicinity to it, and that would be, I think, one of the means of developing also the other side of the river.

All hon. members know the men on the federal district commission, especially Mr. Bronson. We have from my own city Mr. Ste. Marie, K.C., who has been on the federal district commission since 1927. He has devoted his time and energies and talents in cooperating with the other members to maintain and develop this capital city of ours. I believe that these gentlemen deserve gratitude for the work they have been doing, and I hope that when this new commission is set on foot it will be deemed fitting to keep them as members to continue the good work they have been doing.

I listened to the statement of the hon. member for St. Paul's (Mr. Ross) to the effect that the city of Toronto was a very fine city, though it had not been built with federal government money. I recognize that. In 1867 no question had arisen of having a capital city or federal district commission. We came into Bytown, Ottawa, and development proceeded in cooperation with the municipality. In other cities administration of streets and civic services is carried on by the municipal governments, and we do not want to invade their domain or take away their civic autonomy; we want to cooperate with them to try to develop this city. If Ottawa had not been the capital city of Canada, for all we know to the contrary it might have been a large industrial centre, because of its water power and other natural resources in the immediately surrounding district. I believe that there is understanding between the municipal and federal authorities, and that, with the passing of this bill, as the years go by we shall see this city expand and develop and become one of the finest of capital cities.

Mr. THOMAS REID (New Westminster): Mr. Speaker, as a member of the committee in 1944 I should like to join in the debate which has taken place this evening. It seems strange that so far in the debate, of all who have taken part, the three members from British Columbia have been the greatest supporters of the bill and the beautifying of this federal capital. Surely every one of us can and should take pride in our capital city. I know that those who visit Washington usually come back full of enthusiasm, and while I realize that Canada, with twelve million people, cannot compete with the great country to the south of us, nevertheless we can have a capital which will be the envy of many other lands. As a matter of fact we have here in Ottawa a great chance to make a splendid capital, for it is better in location even than Washington.

I was suprised to hear the hon. member for Humboldt (Mr. Burton) coming out against the appropriation for the beautifying of the capital city. During the recess I took time to hunt up some facts, and I am just going to remind him that it seems strange that a province, which in six years got over $96

exceedingly able architects of our own in Canada. Why we should go outside of Canada and get somebody else to come in here and do this job is beyond my comprehension.

So far as the bill itself is concerned, I think it is a good thing to have a federal district, but we should go slow in this matter in the next two or three years and remember that we are spending the taxpayers' money.

Hon. ALPHONSE FOURNIER (Minister of Public Works): Mr. Speaker, I am quite interested in this bill because I happen to represent the riding right across the river, which has a representative on the federal district commission. I have listened attentively to what has been said up until now. On the second reading we are to decide on the principle of the bill. That is not difficult to do because that principle has been agreed upon for the last fifty years. If I remember aright, the first Ottawa improvement commission was created by statute in the year 1899. There were modifications made under every government, and now this bill is to amend the Federal District Commission Act which dates from 1927. The object is to try to plan a capital of which Canadians will be proud.

This bill is based on the recommendations of the joint committee of the Senate and House of Commons which was set up in 1944. This committee, chosen from both houses of parliament, was set up to try to find a better plan for the capital and to devise plans which would be executed by governments in the future.

The first recommendation of that committee was to enlarge the federal district commission from ten to fifteen members, and if hon. members will read the bill they will see that that is what the bill proposes, to meet the wishes of the joint committee set up in 1944.

Even the title of this bill is another of the joint committee's recommendations. Instead of calling it the federal district commission, the committee favoured the title of national capital district commission. Those two recommendations of the committee are implemented in this bill.

Then there follows a clause by which the commission and the operation of this bill will come under the president of the privy council instead of under the Minister of Finance. I think we can all agree on that. So that there should be no difficulty in our agreeing upon the enlargement of the commission, the new name of the commission, and the minister who will have charge of the act.

[Mr. D. G. Ross.]

There are other sections of the bill which deal with expenditures. It is proposed to increase from $200,000 to $300,000, an increase of $100,000 a year, the annual grant to the commission for the maintenance of the grounds belonging to the federal district commission on both sides of the river. That is understandable because, since the act was passed in 1927, the government has acquired a good many other properties and put up many buildings and even extended the government driveways.

Another section provides for the expenditure of $3,000,000 to be spent as the years go by, over, I think, the next ten or fifteen years. Parliament in 1927 voted the sum of $2,000,000 for the commission to acquire property and develop parks, gardens, driveways, roadways and sidewalks. The commission was authorized to spend the $2,000,000 at the rate of $200,000 a year during ten years. That amount has been completely expended. During the war the government did not see its way clear to voting any further amount for that purpose. Now this additional sum of $3,000,000 is for the enlargement of the plan during the next ten years.

For many years in this house I have listened to members on both sides telling us what we should do in the city of Ottawa. Everybody wants to have a national capital which they would be proud to show to visitors and to speak about. If you travel in other countries you will notice how proud the people are to show you their capital city, their public buildings and parks, and the souvenirs of their past history. In this country we are trying to build up the same mentality. The only difference I see is that, as regards Canada's national capital, we have flowing between Ottawa and the city on the other side one of the most beautiful rivers we have in Canada. On one side of the river you find sumptuous buildings, splendid driveways and parks. If you look on the other side of the river you will find the industrial part of this district. That dates back to a long time ago. The city of Hull was built as an industrial city and it has developed the natural resources that were close to that city at that time. But I believe that now, in view of the development of the city on this side of the river, it is time to develop the other side of the Ottawa river. Why should we deprive the Canadian people of the beauties we have on the other side of the river? Why should we develop driveways and parks and put up fine buildings just on one side of the river and ignore the other side? I have heard a member on the other side of the house speak of the slums across the river. They are poor people but proud

being held; it may be New York, the seat of the UNO and UNRRA. We do not know what capital we have. Ottawa is not definitely our capital, and it will not be if we abandon any part of our sovereignty to the big powers. If that is done, then the capital that we shall have to improve and beautify will be Chungking, China; London, England; Washington, D.C.; Paris, France, and Moscow, Russia. If the big five are to control our destinies Ottawa will not exist any longer as the capital city. Since this bill proposes the beautification of the capital city of Canada, there is still a little bit of hope for the future.

Mr. D. G. ROSS (St. Paul's): Mr. Speaker, I certainly enjoyed the few words that were said by the Minister of Veterans Affairs (Mr. Mackenzie). He is one of our real highland Scotsmen and we all know how sentimental they are. I agree with him that Canada has really a wonderful history, but it is a pity that many of our people do not understand our background. It is a pity that people in one part of the country do not understand the people in other parts.

There is no doubt that Ottawa is a beautiful city. Whoever was responsible for putting this House of Commons in the place it is deserves a great deal of credit. The House of Commons, the east block, the west block and many of our buildings are really beautiful. I would rather bring about a better understanding of our history by the people of Canada than spend a lot of money in beautifying the capital. Toronto is a beautiful city, but the citizens of Toronto made it beautiful, not the Ontario government. We are proud that Toronto is the capital of the province of Ontario, but the provincial government have not spent a lot of money in making Toronto beautiful.

What we need is a unified history of Canada that would be acceptable to everyone. We talk about a war memorial, but if we could publish such a history and have it understood by all the people it would be the greatest war memorial we could possibly have. It do not think this is the time to talk about spending a lot of money. It is all very well to get prepared for these things. Mr. Bronson, whom I know, has done a wonderful job with the federal district commission and we are all indebted to him, but he is still a young man and will have lots of opportunities in the future.

Being the legislative centre of Canada means that Ottawa has many advantages. That brings many people to the city and they spend their money. I do not think we should be asked to do too much for the city of Ottawa. I believe in the federal district commission and I believe we want to have a beautiful capital some of these days. As far as a war memorial is concerned, we should not forget that the war is just over and there are many things that have to be done. We should think this thing over for a while to see whether we want to carry this out as a war memorial or whether we would rather do something else. Ottawa is only a small city in comparison with other cities in the country. As I say, I think we want a good capital; we want to have a lovely place.

What we have to do is to cut our coats according to our cloth. We have a war to pay for. It is all very well to say that it is only going to cost us $223,000 more this year, but $223,000 is a lot of money. This is not the time to be increasing expenditures at the expense of the taxpayers of this country. That is a fact that has to be taken into consideration. I find that under this bill the federal district commission will have the right to borrow $3,000,000 or to obtain $3,000,000 from the consolidated revenue fund. I think that should be thought over. Let us get settled down after this war and think about expenditures of one kind and another, and the taxpayer. The government has been so used to thinking of hundreds of millions of dollars that it does not think about hundreds of thousands of dollars any more. If the commission borrows money the government will guarantee the bonds and pay the interest. It may be a good project, I do not know. I think this matter should be carefully considered before we go on spending the taxpayers' money.

There is just one other factor about this matter. An architect has been brought here from Paris, France. He may be the finest town planner in the world, but the fact is that Canada has many fine architects and town planners. Many of these men have studied overseas in Paris and other places on the continent. A great Canadian architect, Mr. Pearson, built this building, and it is a great tribute to his ability. Why should we go outside the country, why should we import someone from some other country who is not acquainted with Canadian culture? We should try to develop our Canadian art. We have our French-Canadian songs and our French-Canadian music and we are trying to get English-Canadian music and songs through Sir Ernest MacMillan. We have our own artists whose works are being shown all over the world at the present time. We have our schools of architecture; our universities are training men to be architects, and we have

still, in the fields and woods surrounding it, the loud and screaming colours of a vulgar commercialism.

Mr. JEAN-FRANÇOIS POULIOT (Temiscouata): Mr. Speaker, I have enjoyed the speeches which have been delivered so far during this debate, though they have been contradictory. One can take the beautification scheme for Ottawa for granted, but beautification is a relative thing. There are parts of Ottawa which have been left untouched, where people live in dwellings which certainly are not the pride of the capital city of a great country. The idea was advanced that Ottawa should be the Washington of the north. I want the capital city of Canada to have personal distinction, not to be a pocket edition of the capital city of any other country. I do not personally know the planner who has been chosen, but I presume he is an able man; and the fact that he comes from another country should not be considered as an objection, provided that he is well qualified for what he is going to do.

Members of parliament who spend six months a year here in Ottawa should not be considered as strangers in the city. Something has been suggested by one hon. gentleman concerning the offices of the members. Such a suggestion might be appropriate, but when we want to come here with our families the difficulty is that it is impossible to get an apartment because of the duration of the session. It seems to me that members of parliament should be treated as citizens of Ottawa, because we spend most of the year here—

Mr. BURTON: And most of our money.

Mr. POULIOT: —and we should have some facilities for securing proper housing in this city. Something else has been mentioned to me; I am laying my grievances before the Chair. I am told it is impossible to park a car in this part of the city, not only on parliament hill but in this vicinity. This situation should be improved, and it surely is possible to do that in some way.

In my humble view the first thing to do to improve the city of Ottawa, if something is to be done by the government, is to build a fireproof library. The other day I had the support of the hon. member for Rosetown-Biggar (Mr. Coldwell) for this suggestion, but he gave me more than his support; he suggested a cultural centre for Ottawa. I am not at all interested in that cultural centre, at least for the time being, but here in the library of parliament we have the most precious collection of books, newspapers and historic documents in this country; and it should be protected against fire. By doing this, we shall give the Canadian people an opportunity to learn the history of Canada just as well as it has been learned by the hon. members who have spoken in this debate.

It is pitiful to see some of the homes on both sides of the river, in lower town as well as in the western part of the city of Ottawa. It makes such a difference when one comes to the centre of the city from those sections, and something should be done for those people. We have a great many office buildings that were fully occupied during the war. They are not beautiful; but the roofs do not seem to leak; the walls seem to protect those within from the cold and excessive heat. I wonder why some of those buildings are not divided into apartments to give shelter to those families who are living in shacks and slums.

This is not what one might call a speech, Mr. Speaker; it is just a collection of observations I have made lately, and suggestions that have been made in my presence. Messengers are provided for the service of members of the House of Commons. They are most obliging and some of them have cars which they are always ready to use to go on errands for the members. One of them told me—and I have been told this by others—that it takes him an hour and a half to park a car on parliament hill. There are still some places left, and these messengers who are at the disposal of members and who have cars that they are ready to use to go to the printing bureau or other places some distance from the House of Commons should be able to park their cars in some secluded area. It would not need to be very large, but they should have their own places in which to park their cars on parliament hill. I hope, if other hon. members have suggestions to make, they will be taken into consideration by the proper authorities

Before concluding, I should like to congratulate both members for Ottawa and the hon. member for Hull (Mr. Fournier), Minister of Public Works, upon the interest they have taken in improving some of the ugly areas that have existed previously in this city. In carrying out this work, I hope the government will not try to achieve too much grandeur. Some consideration should be given to comfort. We should not to be too boastful because Canada may not really be considered as an autonomous country at the present time. Some people are Canadians in name and they believe very strongly in it.

If we are going to improve the capital city of Canada we should not try to do too much. The capital city of the commonwealth may be Paris, where the peace conference is now

his party in this regard, who once went so far as to advocate a building for ballet dances and a national theatre of arts and sciences and so forth. If the hon. member will look up the record he will realize that his leader had a vision which the hon. member for Humboldt negated here to-night.

I rose to try to induce hon. members to look upon this not as a local area. I resent anybody calling it the city of Ottawa project, because I represent the best part of the Dominion of Canada, the area surrounding Ottawa. In Carleton county we do not need it as Ottawa does, but we can use it better than Ottawa can.

Mr. R. R. KNIGHT (Saskatoon City): I say at the outset that I am not opposed to the beautification of Ottawa, provided that it does not take too great a sum of money. It has been an inspiration to me to-night to listen to the pœtic speech of the Minister of Veterans Affairs (Mr. Mackenzie) and the less pœtical but more witty speech of the hon. member for Fraser Valley (Mr. Cruickshank). The Minister of Veterans Affairs even took us back to Greece and Rome, and with his permission I should like to follow him for the time being to those far distant places and to remind him that while the civilization of Athens, to which he referred, was probably an ideal one for some people, I cannot forget that it was built upon a class society. I point out to him that the fine things which he described were enjoyed by only one class of people, and that the civilization there was built by slaves, as were the buildings. I would also remind him that the civilization of Greece, boasting as it did these marvellous buildings, the Acropolis, the Stadia, was like Rome with its Coliseum, based upon the slave market, and that both these nations neglected their people. Their decay and fall are matters of history.

I might also remind the scholarly minister that if he knows his Horace—and I presume he does—he will recall that Horace had an idea of a better type of monument which might well be built by men.

Mr. IRVINE: Probably he lost his Horace.

Mr. KNIGHT: I do not think great buildings will ever take the place of that particular type of "monumentum." The hon. member for Humboldt (Mr. Burton), who has been much maligned here to-night for his advocacy of a bath in Moose Jaw, did say something with which I heartily agree. He said, "Let us beautify the whole countryside." With that in mind, I wish to say something here because I think I should be out of order on any of the items something which I have wanted to say in a public place for a long time, and I know of no more public place than this. He said, "Let us beautify the whole countryside." I should like to put it in reverse and say, let us cease to make it ugly. Some hon. members will have suspected already to what I refer. I want to speak of beautification and commercial signs, if I may mention the two things in the same breath. On coming to Ottawa I was interested, of course, in the beautification scheme for our national capital. I live down off the foot of Bank street, if that is the right way to describe it, and one day while going down there I saw some men just at this side of the railway subway tearing down an ugly clay bank. I thought to myself, "Here is some of the beautification of which I have heard; no doubt they are going to level this place up and plant grass and trees." Two or three days later, enough lumber, zinc and wire were brought there to make the heart of War Assets Corporation shudder, and some of these ugly signs were erected. I am quite sure they took enough lumber and other material to build, if not a cottage, at least a decent summer shelter.

On looking around the district, however, I realize that this particular sign is not too incongruous there after all. The shacks; the juke joints advertising soft drinks, the little restaurants with their loud and lurid signs advertising cigarettes of various kinds which will cure your sore throat—no, they do not look so bad in the city, where men generally have vitiated the scenery and the landscape. Now they are trying to bring nature back into the city by planting trees and grass and flowers. No; it is out in the open country, in the fields and the woods and upon the roadsides that these atrocities of signs are really incongruous. One gets outside the city and begins, shall I say, to be soothed by the soft green of the fields or the grey of the clouds; then he runs into a great sign, perhaps on the side of a hill near a little lake. Hon. members know the type of sign I mean, and it brings a jarring note into the whole landscape. Or you see the whole side of a barn—and I am astounded that any farmer would permit his barn to be used for this purpose—covered with a huge advertisement telling you to chew somebody's tobacco.

I merely wanted to say that in any beautification scheme for Ottawa—and I understand it is to extend some considerable distance beyond the city—I hope all this will be remembered. I would not vote a five-cent piece, if I may use that historic phrase, for the beautification scheme of any city that would allow along the highways contiguous to it, and, worse

Canada, has done a work that will be a monument many centuries after he has passed away, one that will be appreciated by the people throughout Canada. I repeat, the Canadian people owe a great debt of gratitude to Mr. Bronson in particular.

I think there is something to be said in support of the hon. member for Fraser Valley in the suggestion that each province should have a representative on the commission, because each province should be entitled to have its aims, ambitions, industries and undertakings demonstrated within the federal area.

I do not believe that the phrase "beautifying the city of Ottawa" correctly expresses the views of those who support this bill. In my opinion it is the exemplification of Canada rather than the beautification of a city that we are interested in. I say, therefore, to those who, dealing with federal district relations, and others who have studied the history of the movement to create around Ottawa a federal area, have said that a great deal has been put into it, that a great deal more is necessary.

We must bear in mind that now, and for a considerable length of time, the government of the day has engaged one Jacques Greber, a town planning expert from Paris, France, to prepare a plan for the federal area. I would have been happy to see the government give to the house a great deal of information on the progress which he has made. I believe the house is entitled to much more information than we have had on the progress which Mr. Greber is making on his plans for this area. I do not think it is sufficient to have a town planning expert, good or otherwise as he may be, work for the length of time that Mr. Greber has been working and then ask parliament to apportion money for the expense of developing a federal district, without having seen some results of his work.

Within Ottawa, particularly these days, work for the sake of employment is not necessary. For that reason the house should be acquainted with the definite and concrete proposals which the government has to offer in the immediate future so far as a federal area is concerned. When the committee sat a year or a year and a half ago we made concrete proposals. So far as the expansion of the committee and the nationalization of the committee are concerned the recommendations are pretty well incorporated in the bill; but the development of Ottawa, from a practical point of view, has not been incorporated nor have we had information on it. As an example, in Ottawa we have the cross-town tracks. As a matter of progress, as a matter of strict economy, the removal of the cross-town tracks and the re-routing of the railways in Ottawa should be the first consideration, so that municipal, provincial and dominion enterprise could work together in the federal scheme.

I believe the federal area scheme contemplates building certain highways. Land on both banks of the Rideau and Ottawa rivers has been set aside. Much of the congestion in Ottawa complained about by nearly every visitor to Ottawa, be it member of parliament, tourist, commercial traveller or business man, is created by the railways, the defective transportation highways and the difficulties of traffic within Ottawa. In asking parliament to apportion money, the government should have some definite proposals to place before the people on this particular point.

I noticed in last night's paper that the Minister of Public Works (Mr. Fournier) had made some comments indicating that in the immediate future he might commence the building of a bridge across the Ottawa river some ninety or one hundred miles northwest of Ottawa. Although that bridge is needed to accommodate Pembroke, I believe it should be built within the capital area, so that if both sides of the Ottawa river are to form a federal district there will be driveways along the scenic Ottawa river with a crossing within the federal area at some place within the county that I have the honour to represent. I would suggest that it be some forty or fifty miles north of here. If that were done I would not be bothered incessantly by members asking me where they could go for a drive and get back safely. I would just tell them to follow the federal area.

I believe that we should look upon this as a matter of national pride, as a demonstration plot of national industries, national cultures and national ambitions. I do not think any Canadian will object to a true depicting of the Canadian spirit right in the federal area. I do not think the hon. member for Humboldt by any means had the vision which should be possessed by anyone who would discuss the bill before the house at this time. If he feels that the face of Ottawa needs uplifting I would tell him that the face of Canada needs uplifting and this is the place to do it. I do not think his worthy leader will agree with the comments that he made this afternoon and to-night, because on several occasions I have seen the hon. member for Rosetown-Biggar (Mr. Coldwell) rise in his place and give ample support to a move to establish a real federal area. May I ask the hon. member to look up *Hansard* and see the record of the leader of

sary to leave the entire planning of the capital of Canada to a gentleman from Paris, I do not care who he is or what he is. Particularly do I say this when I think of anyone who is privileged—perhaps I should say anyone who has the misfortune—to drive a car through the streets of Ottawa to the place called Confederation square when one never knows whether he is going to be killed in turning a corner. There are streetcars going both ways and automobiles adding to the traffic. If my hon. friends who take exception to this statement with regard to Confederation square will come to Vancouver they will see what traffic control is like.

Mr. McILRAITH: May I point out to my hon. friend that the plan of the gentleman in question was not followed in Confederation square.

Mr. CRUICKSHANK: I am glad to hear that. That is one more reason why I suggest that we should have a representative from each province, because it must have been planned by the citizens of Ottawa themselves. I may tell the government that I intend to move an amendment to this section, which will provide each province with a representative on the commission. There is another section that I am not satisfied with, and if I am wrong I can be corrected. I refer to section 17.

Mr. SPEAKER: I would remind the hon. member that on second reading of the bill he cannot discuss individual clauses. He should confine himself to the principle.

Mr. CRUICKSHANK: As the hon. member for Temiscouata would say, that is just what I am doing, Mr. Speaker. I am speaking entirely on the principle of the bill and I think the principle is wrong. As I understand it, there is no accounting for expenditures. As I understand the principle, a report is to be brought in so many days after parliament meets, but it is not provided that all expenditures shall come before this parliament, and that, in my opinion, is a principle that should not be lost sight of. After all, parliament is, or it should be, supreme in the expenditure of every dollar of the Canadian public's money.

I do not think I will take up any more of your time now, Mr. Speaker, but I intend to move the amendment which I have suggested, so that every province shall be represented on the commission and every dollar of expenditure be accounted for to parliament.

Mr. G. RUSSELL BOUCHER (Carleton): Like the hon. member for Fraser Valley (Mr. Cruickshank) at the outset of his remarks, I assure the house that I intend to support the principle of the bill; but unlike that hon. gentleman, in his concluding observations, I intend to remain consistent with the statement I have made.

May I first say that in discussing this bill we should cast our minds to the real intent of it and not to the intent as indicated by the hon. member for Humboldt (Mr. Burton), who attempted to compare Ottawa with the city of Moose Jaw, when he said that Ottawa needed a face-lifting while Moose Jaw needed a bath. I believe that was the sum total of the comparison he made in that respect.

It strikes me that some ambiguity is created by the very nomenclature of the act in calling it a Federal District Commission Act. What is really meant, I believe—and that would be the proper nomenclature—is a federal area act; because, when speaking of a federal district or a federal area, as I believe it should be called, we are not speaking of the city of Ottawa and the surrounding country, but of the capital of the nation, of which we should be proud. We are speaking of an attempt on behalf of all Canadians, who are proud of this country, to exemplify in their federal area and its environs, the capital city of the dominion, the aims, ambitions, industries, hopes and aspirations of Canadians.

Therefore, as we approach any discussion of a bill of this kind we should see in it an endeavour to establish in the capital and in the neighbourhood of the capital of Canada an area that exemplifies Canadian life in all its aspects. I suggest that we discuss it as an area rather than as a district. In my opinion "federal district" is itself a misnomer, because I do not believe that the people of Canada generally, certainly not the people within the area, want to see an area set aside, similar to the capital area in Washington, as something to be run by commission government, where local autonomy, municipal enterprise and self-government within the area will be placed in the hands of a federal district commission. I believe that we should retain our municipal institutions, and our provincial authorities within the area must have their scope as well.

When, therefore, I come to the section providing for an increase in the membership of the commission to fifteen, I see something of much wider national aspect, in that body of men charged with the responsibility of exemplifying Canadian life. I think I should pause here and express in this house the gratitude of the people of Ottawa and of Canada as well, I believe, to Mr. Fred Bronson, the present chairman of the federal district commission, who, with his interest, energy and all the efforts he has made on behalf of the capital of

have to work for a living and at one time shoveled cement, and I can tell him that you do not use old torn-up cement to build a school.

Mr. CASTLEDEN: How do you know?

Mr. CRUICKSHANK: I listened to the hon. member speak for thirty minutes about nothing; now let me talk for ten minutes about something. As a matter of fact, I regret that the leader of the C.C.F. (Mr. Coldwell) has—unfortunately in so far as his party is concerned—been called away to another political convention. They have one only about every two months.

Mr. McKAY: When did you have one last?

An hon. MEMBER: Why don't you have one?

Mr. CRUICKSHANK: Why don't we have another one? Because we have the privilege of having the only leader in the British empire who has survived as leader of his party for twenty years. That is nice going. I have a great deal of admiration for the C.C.F. a lot of the time, when they do not waste time in talking about something which happened twenty years ago when a bill like this one is being considered.

There is one thing about this bill which I do not approve at all. First, let me say that I think the bill should be considered entirely on its merits; that is, as a measure for the beautification and improvement of the capital of our country, not as a war memorial. I do not think there should be any camouflage about it at all. Speaking on behalf of a farmer riding in the province of British Columbia, I can say that we are willing to pay our share to improve our capital, the capital of Canada, but we do not want the scheme camouflaged under the name of a war memorial. We in the Fraser valley want our own war memorial in our own district to the men who went from our own district.

There is another thing to which I want to take exception in this bill, and I intend to move an amendment, not talk about tearing up a bag of cement. Probably I shall be called out of order, but I do not mind that; I have been called out of order so often. I think it is unfair to the people of Canada, who are expected to pay for these improvements, to limit the representation. In all parties in this house—I repeat that—in all parties in this house are men who have had experience of serving on municipal or city councils in all parts of Canada. In every political party represented in this house there are men who have had experience in the promotion of parks and other improvements. For instance, in our own province—and I think even the Saskatchewan members will give us credit for having the most beautiful parks in Canada—we have men of all political parties who have had experience in connection with our parks. So that I do not think it is fair to the taxpayers of Canada to limit the representation. As at present, one member is from British Columbia, one from the prairie provinces and one from the maritimes. I insist that every province is entitled to have a member on that commission.

When I first came to this house we voted, I think, an annual grant of $100,000 to Ottawa. At that time I was sitting over in the opposite corner; the people of Canada were a little wiser then, so that some Liberals had to be accommodated, Mr. Speaker, on your left. We over there objected to this expenditure of $100,000 for Ottawa. However, I had the privilege of being a guest in the city of Washington, the capital of the United States, and I changed my opinion after visiting that city. We cannot equal Washington; we have not the wealth to do so; but we can do much to improve our capital. It is the capital of Canada; not the capital of Ontario, but the capital of Canada. I am proud to be a Canadian and I intend to continue to be proud of Canada, in spite of all these bills to change the names of this, that and the other thing. I remember a poem—it is the only poem I remember—which I learned when I used to trudge as a barefoot boy around Matsqui:

> Breathes there the man, with soul so dead,
> Who never to himself hath said,
> This is my own, my native land!
> Whose heart hath ne'er within him burn'd
> As home his footsteps he hath turn'd
> From wandering on a foreign strand?
> If such there breathe, go, mark him well;
> For him no minstrel raptures swell.

I am proud of being a Canadian, and the people of my riding share that pride and are quite willing to contribute to the improvement of our capital. But I wish to warn the government that we are not prepared to have one dollar of our money used for the purpose of buying out this man Weston, or E. B. Eddy or any other concern. Make no mistake about that. We wish to beautify Ottawa and improve the capital city and we will see that a proper job is done, but we do not want to have any unfair expenditure made in purchasing these different properties. Above all—and here I may be treading on somebody's toes—we in the Fraser valley at any rate cannot see why it is necessary to leave the entire planning of the capital of our country, Canada, to someone in another country. I hope I am not hurting the feelings of anyone who may be of French descent; but I repeat, we cannot see why it is neces-

should be cleaned out from top to bottom and modernized. When you think of the important offices that are housed in that building and the state of those offices and of the building itself, to talk about beautifying the city and leaving that building in its present state is absolutely ridiculous.

Furthermore, if the government is prepared to spend any more money—nobody knows how many millions of dollars—in beautifying Ottawa it should also make arrangements to give assistance to the various provinces so that they can carry on a scheme, not only of beautification, but one that will be of benefit to the people of those provinces. Until the government is prepared to make some worth-while changes in the bill I am opposed to the principle of it.

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs): Mr. Speaker, I think the house is fairly well aware that I rarely intervene in debate, but I must repudiate at once, with all the strength at my command, the tone and tenor of the ideas to which the house has just listened from the hon. member for Humboldt (Mr. Burton). He referred to the treatment of veterans in a debate that should deal entirely with the beautification of the area surrounding the capital city of our dominion. Yesterday this house voted generously some $800,000,000 for the welfare of the veterans of Canada, and it comes with bad grace from any hon. gentleman to say that this parliament is spending undue amounts of money on the district of Ottawa when this house and parliament—not the government, for I am not taking credit to the government for it—voted yesterday and the day before a contingent of $1,500,000,000 for the welfare of the veterans of the Dominion of Canada.

I should like to say a word about this bill dealing with the national capital and district. I am probably the farthest away from the capital city of any member of the house except the hon. member for Comox-Alberni (Mr. Gibson). Hon. members are students of history. There are two great features and factors in this situation. The one is immediate, surrounding the capital city of Canada; the other one goes right to the soul and spirit and history of this dominion. If you study nations and their histories, think of the glory that was Athens in the days of Pericles; think of the grandeur that was Rome before the tyrants came; reflect on the beauties of Prague and Budapest; think of Paris, the most beautiful capital in Europe; of London, the most beautiful capital in the world; and we of Canada should be proud to have here in Ottawa, as our capital, the finest city in the world.

When I think of the history of that beautiful province, Prince Edward Island; when I recall the story of the United Empire Loyalists in New Brunswick; when I think of the baronets of Nova Scotia and the *Hector* in 1773; when I think of Jacques Cartier coming to Quebec from St. Malo in 1534 and the wonderful crowd of missionaries who penetrated that province during the next hundred and fifty years, the settlements and the government which give us to-day in Canada the house in which to-day we dwell; when I think of the settlement that John Galt effected in Guelph and Goderich in Ontario; when I think of the Selkirk settlers who came to Manitoba in 1812; of Samuel Hearne and Alexander Mackenzie going through to the prairies, and Mackenzie's voyage in 1789, the year of the storming of the Bastille in France; when I think of Douglas and Fraser and the other great explorers who gave us the beginnings of British Columbia, I come back to this capital, built upon this bastion beside the grand confluence of our rivers, the most beautiful city, I think, in all the world; and I say to you that we should endow and enrich this city and its environment for all the people of Canada.

Mr. G. A. CRUICKSHANK (Fraser Valley): Mr. Speaker, the hon. member for Temiscouata (Mr. Pouliot) is going to follow and support me.

I come from the province of British Columbia, but I shall not go into history as my good colleague has done. One thing which disappointed me in listening to the hon. member for Vancouver Centre (Mr. Mackenzie) speaking of these people, Mackenzie and the rest, who came from different places, was that he never said a word about Cruickshank coming from the Fraser valley.

I have listened to-day and for the last two days to the Toronto stock exchange. Then I listened to the hon. member for Humboldt (Mr. Burton) talking for an hour about something that had nothing to do with this bill. So that I think the house can bear with me, Mr. Speaker, through you, when I talk about this bill. At least, I am going to say a few words about it. I may mention the Fraser Valley and include a few words about British Columbia in the course of the discussion. But certainly I am not going to talk about one bag of cement just because my good friend the hon. member for Nanaimo (Mr. Pearkes) could not sleep. It is a ridiculous idea that one bag of cement has anything to do with tearing up a street here. I happen to

was destroyed by fire. The trustees of that district have wired me on a number of occasions asking me to intercede with the Minister of Reconstruction and his parliamentary assistant because they were unable to obtain a bag of cement within a hundred mile radius of the school. I did so and was told that the trustees should keep on searching. I want to tell the government that if this bill carries I shall have to tell those school trustees when I get back home that the federal district commission was using air drills on the streets of Ottawa, and incidentally disturbing the sleep of the hon. member for Nanaimo, to tear up good cement and use it to cover up some of their unsightly dumps in different parts of this city. And to the children who will not have a school to attend I shall have to say—

Mr. LENNARD: If the hon. member will permit a question, did the drills not disturb his sleep also?

Mr. BURTON: My conscience is too good to be disturbed at night by a noise like that.

Mr. ST. LAURENT: If the hon. member will permit another question, does he not know that that work was not something that was done under the federal district commission at all, but was being done by the Ottawa Electric Railway company which operates the street railway in the city of Ottawa?

Mr. BURTON: At any rate the impression was conveyed at the time that it was part of the work of the federal district commission. But I accept the minister's explanation. The point I want to get across is this, that good cement was torn up and carted away, while people in my constituency cannot get cement to rebuild a school which was destroyed by fire. I shall have to tell those school children: Never mind, you will have a longer vacation; our government is doing everything possible to beautify Ottawa. Above all, I shall have to tell them that there is one way, and possibly only one way, in which the government can silence the members of the opposition—

Mr. PEARKES: On a point of privilege, Mr. Speaker, I have not been silenced.

Mr. BURTON: I am happy to see that the hon. member for Nanaimo has sufficiently recovered to make good the promise he made when he said that we were going to have a showdown before we voted any more money for the beautification of Ottawa.

The town of Humboldt needs water; Moose Jaw, Regina, Weyburn and other cities in Saskatchewan need water. But if this bill goes through, I shall have to tell the people back home: Go take a bath in the dust bowl because your government is busy beautifying Ottawa.

Mr. MACKENZIE: I thought you had a progressive C.C.F. government out in Saskatchewan.

Mr. BURTON: Let me tell the Minister of Veterans Affairs that if his government showed half as much action in twenty years as the C.C.F. government in Saskatchewan has done in two years I should not have much to complain about.

Mr. CRUICKSHANK: But we shall be here for twenty years, and they will not be there long.

Mr. BURTON: I have always attempted to make it a practice, when I am opposed to the principle of a bill, to offer something constructive in place of it, and I should like, before I conclude, to make a few suggestions to the government as to what, in my opinion, could be done and would be acceptable.

First of all, I would suggest that the dual control which apparently we have in this area should be ended. On the one hand, there is the federal district commission looking after some of the streets and sidewalks; on the other, the civic authorities have other things to take care of, and there seems to be constant confusion over jurisdiction and as to who shall do a particular work. We should set aside an area here which would be recognized as a federal district for which the federal district commission would be entirely responsible.

There is in this bill a principle which I think is wrong. It provides that different parts of the country shall be represented on the commission, but I would draw to the attention of the members from the maritime provinces and from the prairie provinces that the three maritime provinces are to have only one representative on the commission and the three prairie provinces only one representative. If you want a commission that will be representative of the entire dominion every province should have a representative on the commission.

Furthermore, I would draw to the attention of the government that before any further beautifying is done, if that be possible, to this city, provision should be made for suitable and adequate accommodation for the members of this house who have to spend their time working in Ottawa. There is ample beyond the west block where suitable additional facilities to accommodate the members could be provided. In my opinion the east block

this should be done in view of the decision of Chief Justice Greenshields and another judge referred to by the hon. member for Lake Centre.

It should be provided that such judges shall take notice of and be bound by the then last decision or judgment of the judicial committee of the provincial, or other court of final appeal, rendered by such court upon or with respect to such application of law. This amendment would apply to all provinces of Canada. Federal authority should be paramount and supreme, because all judges are under this act. One of the cardinal principles of the British constitution is that the courts are subservient to the legislature. It is well known that in other countries when decisions are given judges follow them as being authoritative until they have been upset. During the recess of parliament the minister should consider this matter with a view to submitting the case to the supreme court.

Right Hon. L. S. ST. LAURENT (Minister of Justice): Mr. Speaker, I would not undertake to recommend to His Excellency that this matter be submitted to the supreme court for an opinion, because it is one about which I entertain no doubt at all. I could not take the responsibility of recommending that the time of the court be taken up to pass upon a matter upon which there appears to me to be no doubt whatsoever. The doctrine of *stare decisis* may be the doctrine of the common law which it has been developed by the decisions of the courts, but it is not the doctrine of the civil law of the province of Quebec. I am sorry to have to differ with the hon. member for Broadview on this matter, but I have some responsibility when I undertake to recommend a reference and I could not recommend that this question be referred to the court.

Mr. CHURCH: Mr. Speaker, may I say to the right hon. gentleman that there has been a rule in this house long before I came here, in fact ever since confederation—

Mr. SPEAKER: Order.

Mr. CHURCH: I moved the adjournment of the debate to aid in giving the whole hour for government business, at the minister's request. I am only continuing the second reading of the bill and I have not finished. I shall not take up the time of the house because there is more important business to be done, but I want to say that since confederation it has been a rule that the Minister of Justice, who is Attorney General, should not give a legal opinion in this house and the minister has violated that rule by giving an opinion.

Mr. SPEAKER: Order. The hon. member has no right to speak twice on the second reading of a bill. Second, he knows that the motion for the adjournment of the debate is not debatable.

Mr. CHURCH: With all due deference to Your Honour I am continuing the debate on the second reading of the bill. This bill was called.

Mr. SPEAKER: The hon. member spoke on the bill and he resumed his seat, and then the right hon. Minister of Justice answered the hon. member. The hon. member knows perfectly well that he cannot speak twice on the bill.

Mr. CHURCH: I moved the second reading of this bill and I moved the adjournment of the debate, only to let the government have my time. The hour for private and public bills was called.

Mr. SPEAKER: According to the rules of the house, a motion for adjournment is not debatable.

Mr. CHURCH: The bill is debatable under the guarantee I had. The minister has given an illegal opinion and he has no right to give any such opinion. It is an intimidation of the judges.

Mr. SPEAKER: The list of private and public bills having been exhausted, the house will resume the consideration of the business it was considering at six o'clock.

FEDERAL DISTRICT COMMISSION

PROVISION FOR ADDITIONAL COMMISSIONERS, TRANSFER OF CERTAIN JURISDICTION AND GRANTING OF MONEY

The house resumed consideration of the motion of Mr. St. Laurent for the second reading of bill No. 357, to amend the Federal District Commission Act.

Mr. BURTON: Mr. Speaker, when the house took recess at six o'clock I was trying to indicate to the government what I would have to tell the people of my constituency when I got home, I hope in a few weeks, should this bill carry. A few days ago the hon. member for Nanaimo (Mr. Pearkes) raised a question in the house about the hideous noise created by the federal district commission engineers or workmen when tearing up the cement on confederation square. A short time ago a school in my constituency

more than any other needs a face-lifting treatment. I would suggest also that, in my opinion, Ottawa is the city that would respond least to treatment of that kind. You could pour the entire resources of the country into this place to carry out the plans of a few people, and how many folks throughout the nation would have an opportunity to see the result? I have enjoyed being driven around this city by some of my friends, seeing the drives which no doubt will be extended under the measure now before this house. But I am sure a casual visitor to this city would be astounded to find that in order to get to a streetcar in the morning to go to work he had to stumble over ashcans and garbage cans, even on many of the so-called respectable streets. Further, while I have had the pleasure of meeting many people here who have been kind and friendly and, as individuals, quite hospitable and fine, I could take you to many a prairie town which would show a decided improvement over the city of Ottawa when it comes to a cooperative spirit in wanting to do something to the advantage of their city without having to ask the government for money all the time.

I shall detain the house for only a moment longer, but I want to add that I hope to be able to return to my own constituency within a few weeks, and when the veterans there ask me what I have done and what the government have done so that they may get homes for themselves and their families I shall reply, "My friends, we have made plans to beautify Ottawa." I must say that a short time ago a school burned down—

Some hon. MEMBERS: Six o'clock.

Mr. BURTON: Perhaps you would call it six o'clock, Mr. Speaker; I see some hon. members are anxious to take recess.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

PRIVATE BILLS

SECOND READINGS

Bill No. 347, for the relief of Fania Pustopedskaites Sobolevicius, otherwise known as Fanny Pustopedsky Sobolevicius.—Mr. Maybank.

Bill No. 348, for the relief of Frances Mary Fisk Irwin.—Mr. Maybank.

Bill No. 349, for the relief of Lilias Clark Watt James.—Mr. Brown.

Bill No. 350, for the relief of Michael Gibson.—Mr. Emmerson.

Bill No. 351, for the relief of Azarie Trottier.—Mr. Maybank.

Bill No. 352, for the relief of Elizabeth Sharp Hamelin.—Mr. Maybank.

Bill No. 353, for the relief of Lucille Aimée Cadieux Lacombe.—Mr. Maybank.

Bill No. 354, for the relief of Mary Wetstein Szabo.—Mr. Maybank.

Bill No. 355, for the relief of Brandla Lylerburg Guz, otherwise known as Bertha Silverberg Gass.—Mr. McGregor.

Bill No. 356, for the relief of Natalie Kathleen Fearon Kirouac.—Mr. Baker.

JUDGES ACT

JUDGES NOT TO ACT AS COMMISSIONERS OR ARBITRATORS—TO BE BOUND BY DECISION OF COURT OF FINAL APPEAL

The house resumed from April 16 consideration of the motion of Mr. Church for the second reading of bill No. 13, to amend the Judges Act.

Mr. T. L. CHURCH (Broadview): I did not happen to be in the house when the matter was up before about bill No. 13, to amend the Judges Act. The first part of this amendment which deals with judges acting as commissioners or arbitrators has already been dealt with. The second part refers to a matter commented upon by the Minister of Justice (Mr. St. Laurent) when he replied to the hon. member for Lake Centre (Mr. Diefenbaker) on Friday night. I contend that there should be a reference to the Supreme Court of Canada to decide whether federal judges appointed under this act of the parliament of Canada should not be found by the decisions of the court of last resort, in other words whether the doctrine of *stare decisis* should apply. That doctrine is that the decision of a court of record is authoritative and must be followed by judges appointed under this act.

There have been a number of decisions in the province of Quebec, and Chief Justice Greenshields decided that judges appointed under this act were bound by the decisions of the imperial committee of the privy council, following this doctrine. By the act of 1792 considerable law was copied into the statutes of Ontario and Quebec, such law as was adapted to our circumstances. During the discussion on the second reading of this bill I agreed to bring up the matter on the estimates so as not to take up the time of the house, but I suggest to the minister now that he should consider referring this matter to the supreme court for a decision. I submit that

There are two features to the bill which make it objectionable. They are wrong. My first objection is based on the explanatory note to the bill which is found on page 1 and which reads as follows:

The purpose of this bill is to amend the Federal District Commission Act, 1927, so as to enable the commission to discharge more readily the duties that will devolve upon it in connection with the development of the national capital area as a national war memorial.

My next objection is to the manner in which the introductory resolution was piloted through the house. When my colleague, the hon. member for Moose Jaw, questioned the Acting Prime Minister (Mr. St. Laurent) on the day that the resolution was put through the house, the Acting Prime Minister made reference to what the bill would be. These references may be found at pages 4384 and 4385 of *Hansard*. He said that the purpose was to increase the allowance to the district commission from $200,000 to $300,000. Nowhere is there any mention made of the $3 million which we later discovered in the bill when it was put into our hands.

As has been said by the hon. member for Moose Jaw, this can easily be considered as a start on expenditures which may run into hundreds of millions of dollars. I believe that the vast majority of the people whom I have the honour to represent feel that the best and most fitting memorial that we can have to the memory of those who gave so much is a healthy, happy and contented people with security in their own homes. I agree with the hon. member for Moose Jaw that first things should come first. We need to make it possible for people to have security and the needed requisites which will make them healthy and enjoyable from one end of Canada to the other. Let it never be forgotten that those who died, died not for Ottawa alone. They died for Canada, and for the institutions we hold so dear to our way of life.

As to my second objection, namely the slipping into the bill of the $3 million clause, as has been pointed out previously this is likely to be just the thin edge of the wedge and may lead to the point where this will become the sump hole into which we shall be draining the revenue of the entire nation. Of course we should beautify, but not only Ottawa. Let us start out to beautify the entire country. Let us spread this thing out; let us beautify in different directions. Give all our communities an opportunity to beautify, to make the whole country a living memory to those who gave so much to save it for us. Only a few weeks ago I had an opportunity to be in the city of Moose Jaw, represented here by my hon. colleague. While waiting for the evening session of our convention to commence, I walked through the city park, which was constructed at a time when in many parts of this country people did not know what to do in order to provide labour for those who required it to maintain themselves and their families. In that park are little artificial lakes, a little stream with wild fowl on it, flowers planted here and there, shade trees growing up; and as I walked through I thought what a vision the people had who were responsible for that monument constructed at that time by those who needed help and were given useful employment. I could not help thinking also that during that same period hundreds, yes, thousands of young, able-bodied men had started to trek from the western provinces all the way to Ottawa, and that they were stopped in Regina by the government of that day by means of policemen's billies and bullets, instead of being told to go ahead to Ottawa where they could get work and wages on which they could live respectably.

Some hon. MEMBERS: Order.

Mr. SPEAKER: Order. I would ask the hon. gentleman to confine his remarks to the bill before the house.

Mr. BURTON: I shall be happy to abide by your request, Mr. Speaker, and I thought I was doing so by giving this illustration as to what we could and should have done in the past. Perhaps you will permit me to conclude that portion of my remarks by saying that if those young men had been able to come on to Ottawa, if they had been provided with work and wages, we would have been able to beautify—

Mr. SPEAKER: Order. If he looks at the bill the hon. gentleman will realize that the house is not discussing labour problems. The bill is to amend the Federal District Commission Act, 1927. I would ask the hon. gentleman to confine his remarks to the principle of the bill which is before the house.

Mr. BURTON: Very well, Mr. Speaker; to the best of my ability I shall endeavour to abide by your request and deal with the provisions of this bill, in which we are laying the groundwork for the things that are to be done here. I was merely pointing out that some of that work could have been done in the past, at a much more appropriate time than the present.

In my travels across the country I have been in many cities, and I am quite prepared to admit that of all those I have seen, Ottawa

or not that is the amount, but it has been suggested. I oppose the scheme at present because I believe that first things come first. In Canada to-day we have certain vital projects which are needed for the actual well-being of the Canadian people. For example, water is one of the necessities of life. On the prairie provinces there are thousands of square miles which have not enough water. Surely an irrigation project for western Canada is more important than a beautification scheme for Ottawa. If we can have both, that is fine; but while the beautifying of Ottawa and Hull can be classed in the category of a luxury, irrigation in western Canada cannot. Therefore I say that first things must come first. It is ill-advised to spend an amount such as this on beautifying Ottawa at the present time with so much other more important work yet to be done.

Mr. J. M. MACDONNELL (Muskoka-Ontario): I wish to make one or two general comments on the bill. I do that, having in mind the question which the leader of the opposition (Mr. Bracken) asked the other day. He asked whether, when the bill came up for second reading, a statement would be made by the acting minister as to the scope of the expenditures.

But I wish to raise another question. As I read the bill, it provides not only $300,000 a year but that the commission may on its own authority raise an additional $3 million. So far as I have read the bill, it seems to me that it leaves the door wide open as to how this money is to be spent. What I am not clear on is whether we may wake up and find a federal expenditure of this $300,000 a year and this sum of $3 million has been used as the entrance fee, the money paid to get in to see the game. We may find projects have been started which may involve us in vast expenditures. In this I have the same fear as the hon. member for Moose Jaw (Mr. Thatcher).

There is one other point I wish to raise, and it has to do with another question asked by my leader. I assume that the minister will answer these questions, because to me they are important. As I understood the words used last September in the speech from the throne, it was proposed that there should be a national war memorial the scope of which staggered me. My leader asked the other evening whether the Acting Prime Minister would state just where this memorial fitted into the proposals in this bill, and it is in that connection that I wish to make this remark.

[Mr. Thatcher.]

In my opinion there are two proper kinds of national war memorials. One is the shrine that they have, let us say at Edinburgh, or here in the Peace Tower, and the other is something in the way of a social amenity, a park or a playground or something of that kind. We have a war memorial here which I term the shrine type, and I do not think we need another. Quite properly, in my opinion, that is at the national capital. I strongly suggest that the other type of war memorial, the type which usually takes the form of a park, a playground, or something else should not be put in the national capital, but should be spread all through the country. There should be one in each province because they are for the use of the people as a whole.

What I fear about this bill is that we might find ourselves embarking on a plan which has no limitation to it, and which may involve us in spending hundreds of millions of dollars for the beautification of this area. There is no one prouder of the national capital than I am; there is no one more ready to give credit to the Prime Minister (Mr. Mackenzie King), and I think we should. I believe that he is the man who has given more thought to it than anyone. There is no one more ready to see appropriate amounts spent for that proper purpose, but I am absolutely opposed to a bill which may involve us in the spending of hundreds of millions of dollars in Ottawa under the guise of a national war memorial.

I am therefore anxious that, before the principle of the bill is approved, we have our minds cleared on this point which seems to me to be so vital. If we were merely voting $300,000 a year and $3 million—that is a lot of money—I would feel somewhat differently about the matter. If I felt, as I do not feel, that these expenditures were likely to be the end I would look at it in a different way. But we may wake up one day to find that this money has been spent in such a way as to commit us to the expenditure of further amounts, part of which, if they are for a national war memorial, are in my opinion not properly expendable under this heading.

Mr. J. W. BURTON (Humboldt): In rising to take part in this debate on the second reading of the bill in support of the objections raised by my colleague, the hon. member for Moose Jaw (Mr. Thatcher), I wish to say that I am prepared to go farther than he did. I am opposed to the principle of the bill. When I say that I wish to make it plain that I am not pretending to speak on behalf of anyone other than the people of the constituency which I have the honour to represent.

present. A large number of votes for Ottawa were passed the other night in committee of supply without one question being asked, and I do not think we should be spending money in that way.

I believe the city of Ottawa should receive its proper due, but it should be remembered that it is to receive a grant of $300,000 in exchange for exemptions of property from taxation and services rendered by the municipality. I suggest that the time has come when there should be equality of treatment along the lines indicated, for every other municipality that gives federal property services. The government now intends to branch out and take in the city of Hull. Its scheme embraces a radius of thirty miles. The taxpayers are being asked for fabulous sums of money today. In 1896 and 1897, in the time of Sir Charles Tupper and Sir Wilfrid Laurier, our estimates amounted to $36 million; then it went up gradually to about $425 million, and now our civilian estimates amount to a billion and a half.

I do not think the time is appropriate for such a grand programme as this. Where is the plan and survey for such a scheme and cost? What is more, Canadian engineers do not seem to be good enough. We must bring men in from France and Europe and other countries when we can get capable men from our own Canadian universities. Posterity will have to pay for this expensive programme which the government proposes to undertake. There ought to be some sanity about these expenditures when more houses are needed. The time may come later when we ought to have a federal district commission, but this is not the time, and the Prime Minister (Mr. Mackenzie King) is not here to explain the bill.

We have had a federal commission in Ottawa for a great many years and members of parliament have never been asked to look over their work. The government is now going to step into another province and make the work cover two provinces. That sort of thing is all very well for the United States, with a population of 135 million or 40 million, but I do not think it should be undertaken in Canada at the present time without at least consulting the provinces, especially the old provinces of Ontario and Quebec. The people should be asked to vote on it. The city of Ottawa should be asked to vote on it. I suggest to the Acting Prime Minister that it would be well for him to lay this bill, as only a secondary one, until next session.

As regards the proposal to appoint fifteen men to the commission, if you are going to run the federal district commission by provinces, by geographical area, rather than from the commercial point of view, you are making a great mistake. When the city of Toronto took over the transportation system and formed a commission some people wanted to have a political commission set up, but we appointed only three commissioners and they did the work quite efficiently. I do not believe in having too many men on a commission of this sort, who never direct and are only figureheads. The commission that has been running the light, power and transportation system in our province has given satisfaction. This is true of both the provincial and municipal commissions. It has made a great success of that undertaking from the commercial aspect, with large surpluses.

This whole question should be given further consideration. This bill which proposes to amend the act of 1927 is going to be very wide in scope. The government will be acquiring property; as I say, it will be branching out into another province; and if you have a commission of fifteen men the whole thing will be run by provincial and geographical considerations. We should have a report on the subject. I do not see why we could not appoint Canadian engineers, when wanted, from our own universities. There is no need for us to go outside Canada if we want to get able men.

This is only one of the secondary bills which the government is proposing, and in my opinion it should strike about twenty of them off the list so as to enable the house to get through at the end of next week.

Mr. W. R. THATCHER (Moose Jaw): There are just a couple of comments I wish to make on this bill. As I said the other day, I agree with the principle of it. Most Canadians, I believe, wish to see a beautiful capital city. But, like the hon. member for Broadview (Mr. Church), I do not think the timing is appropriate. Perhaps I fail to grasp the significance of this important bill, or perhaps, as was suggested the other day, my outlook is provincial. Be that as it may, there are certain clauses which I cannot support at the present time.

The bill makes two main financial proposals. In the first place, it will increase the grant to the commission from $200,000 to $300,000 a year. In the second place, it plans to give to the commission an additional sum of $3,000,000 in the near future. I think this house should seriously consider the latter provision because it looks as if the Greber plan is to be started almost immediately. If the newspaper reports are correct, this plan may ultimately mean the expenditure of as much as $300 million. I do not know whether

asked in effect to administer and apply the Family Allowances Act in the case of children under their care. I drew attention to the statement made by the superintendent of the children's aid society of Toronto to this effect, that the cost of bookkeeping and other services in connection with the allowance is "colossal." That was his expression in his last annual report. Having regard to what the minister said at that time, from which I inferred that the matter was under consideration, is the acting minister in a position to indicate if progress has been made in the consideration of that question? Unless some assistance is given to these children's aid societies the present form of administration will continue to cast an unfair burden on them.

Mr. McCANN: I am informed that, to offset the extra expense which children's aid societies are put to, there is a considerable saving by virtue of the fact that they are allowed to spend some of the monthly payments for children in other directions; for example, keeping children at summer camps and the like, where under other circumstances and in former years that expense would have to be borne entirely by the children's aid societies.

Mr. COCKERAM: Is that an additional allowance?

Mr. McCANN: No.

Mr. FLEMING: I do not wish to repeat what I said in the house at that time. I thought the minister might be able to give the committee some further information. His answer now seems to indicate that the policy of the department is opposed to giving consideration to the request of these children's aid societies and other similar societies which have children as wards for some allowance for the bookkeeping expense to which they are put. Of course the regulations did permit the application of part of the allowance to what is called "additional benefits". All these societies acknowledge quite readily the benefit that that conferred upon them in caring for their wards. But over and above that, attention was drawn to what, in the case of the children's aid society of Toronto, was called the "colossal expense" of bookkeeping and administration involved, and it was my hope that the department might have given some consideration to that. I—perhaps wrongly—inferred from what the minister said on that occasion, about six weeks ago, that the department was giving consideration to it. I thought perhaps the acting minister might be able to give the committee some further information.

[Mr. Fleming.]

Mr. McCANN: Apart from the fact that the hon. gentleman has brought this matter to the attention of the house, and that he says the children's aid society—I assume, of Toronto—has made a protest with reference to the increased expense by virtue of the increased amount of work in keeping records and the like, I am informed that no representations have been received from any children's aid society in the country along the line of asking for any extra compensation because they have extra work to do in the line of records.

Mr. FLEMING: I am sorry to disagree with the acting minister, but that is not what the minister said on that occasion. It was not that the Toronto society was the only one that had complained; the minister indicated that requests of the same kind had been received from other parts of the country. I am not going to press the inquiry if the acting minister has not any further information. I thought some further information might have developed from a departmental review of the question during the last six weeks.

Mr. McCANN: I think the hon. gentleman might check up on that, because I am informed that the Minister of National Health and Welfare did not make any such statement at that time. I do not contradict the hon. gentleman, but he might well be mistaken.

Section agreed to.

Section 3 agreed to.

Bill reported, read the third time and passed.

FEDERAL DISTRICT COMMISSION

PROVISION FOR ADDITIONAL COMMISSIONERS, TRANSFER OF CERTAIN JURISDICTION, AND GRANTING OF MONEY

Right Hon. L. S. ST. LAURENT (Acting Prime Minister) moved the second reading of bill No. 357, to amend the Federal District Commission Act.

Mr. T. L. CHURCH (Broadview): I am objecting to the principle of the bill at a time like this as a half-way measure. I think it is a great mistake to have fifteen men appointed to undertake such work as this. A federal district commission is something for which the taxpayers of Canada have not at the present time sufficient funds, and I do not think large expenditures such as the government contemplates here are justified, especially when we consider how much is being collected from the people in the form of income tax, and what is being given to the city of Ottawa at

exceeds the amount or value of contributions for such purpose made by any other individual or individuals.

(2) A parent shall be deemed not to cease to maintain a child who is attending school or receiving equivalent training, only by reason of such child being partially employed or engaged in work unless the earnings received therefor exceed, on an average, the sum of $35 a month.

(3) A parent shall be deemed to cease to maintain a child who is not attending school or receiving equivalent training and who is fully or partially employed or engaged in work for which he receives a salary or wages.

Mr. COCKERAM: I understand that Indians and Eskimos are not paid the allowance in cash but in kind. Has the minister the scale showing what is issued in lieu of the allowance to Indians and Eskimos?

Mr. McCANN: The amount of money which is paid in respect of Indian children is the same as is paid for white children. The Indian affairs branch has a list of articles and foodstuffs which may be purchased with the money. With reference to food, they are guided by the formula which has been set up with respect to nutritional values.

Mr. COCKERAM: Is it not right that children of Indians and Eskimos are not entitled to the allowance in cash but rather in kind? Would the minister give the committee the scale of rations, food and clothing, which the parents receive in lieu of cash.

Mr. McCANN: I am informed that at least half the Indians are paid in cash. For the other half the money is paid to the Indian agent, and the parents of the Indian child are given a credit and a list of articles which they may purchase against that credit. The list is one designed to satisfy normal requirements, and nutritional values are taken into account with respect to foods.

Mr. COCKERAM: As I understand it, and I travel occasionally in the north country, there is not any question of giving cash to a great many of these Indians.

Mr. McCANN: Fifty per cent of them get cash.

Mr. COCKERAM: Some bands do get cash? My understanding was that they all went to the Indian agent and he supplied them with beans and rice and various items of food and clothing which they might require. I wondered whether the minister could give us the scale of issue in lieu of money for those bands which do take the allowance in kind, and why there is any distinction, that some should be paid in cash and some should be paid in kind.

Mr. McCANN: As I have said, almost fifty per cent do receive cash. The reason others do not receive cash is that there is among Indians, as among other people, a difference in intelligence, and there would not be much point in sending a cheque to people who could not get it cashed, so that they are given a credit which enables them to purchase whatever articles they need. Does that answer the hon. member's question?

Mr. COCKERAM: Yes. I agree with the principle of giving the allowance in kind to Indians, certainly in a great many parts of Canada, but the reason for the differentiation must be known to the Department of Mines and Resources, and I wondered what it was.

Mrs. STRUM: Has the minister considered extending this grant to cover the period of education other than in the public school? It seems to me that, while education is, of course, a provincial matter, we have connected the administration of this with the school term. We start with compulsory education and we end with compulsory education. It seems to me that we might extend that to cover the life of the child through the secondary school, because, as I have said before in this chamber, that is when the child really become expensive to maintain; school books must be purchased; very often there are tuition fees to pay, and it may be necessary to provide for boarding the child away from home. It seems to me that under this bill the provision might be extended to cover the secondary school as well as the primary school.

Mr. McCANN: That is a matter to which consideration might be given. But the act has been in effect for only about a year, and we do not contemplate any great changes until we have reviewed our experience in that period. I might point out that, as regards most provinces, the mothers allowance act provides for the age of sixteen years as we have it in this bill.

Section agreed to.

On section 2.

Mr. FLEMING: In connection with payments to children's aid societies and other institutions of that kind, when the estimates of the Department of National Health and Welfare were under review in committee of supply some weeks ago I drew the attention of the minister and the committee to the fact that complaints have been received from some of the leading children's aid societies about the great cost of bookkeeping which has been imposed upon them by reason of their being

cooperate with us or to supply us with specific information in specific cases where we have requested it. The proviso merely gives the administration an alternative in any case where the provincial authorities, after having been asked for information, fail to supply it.

If this ever occurs, the proviso in the amending clause makes it possible for the governor in council to prescribe an alternative method by which such information may be obtained. Presumably the governor in council, if such a situation ever arose, could pass a regulation authorizing the regional director of family allowances in the province concerned to make the decision himself on any matter of school attendance or equivalent training which ordinarily the provincial educational authorities will be asked to make for us.

Mr. FLEMING: It is quite clear from the statement just made that the proviso in the new section 4(2a) is not to take care of any situation that exists at the moment, and that there is no occasion in mind to apply it?

Mr. McCANN: That is right.

Mr. ZAPLITNY: I should like to be clear about children who are not attending school because of physical or mental disabilities. Would they still be eligible for the family allowance, provided that they are maintained by their parents or guardians?

Mr. McCANN: That would be accepted as a legitimate excuse from school attendance and therefore they would receive the allowance.

Mr. ZAPLITNY: That would be a justifiable excuse?

Mr. McCANN: Yes.

Mr. ZAPLITNY: In remote areas where no schools are available, if the parents or guardians did not take advantage of the correspondence course the child might receive no education whatsoever. Would such child still be eligible for the family allowance?

Mr. McCANN: The department would accept the judgment of the educational authorities as to whether or not school facilities were available.

Mr. HERRIDGE: Paragraph (b) deals with a child who ceases to be resident in Canada. Has the minister given consideration to special circumstances or special cases? I am thinking of a girl in my constituency, the child of people of very modest means who suffers from a peculiar nervous affection. The child is highly intelligent and normal in every other way; but on account of this affection she has to be sent to the United States to school, either in the state of Washington or in California, to receive instruction and treatment. I brought this case to the attention of the minister last fall, but it was not possible under the act then for these parents to receive the family allowance for the child. It would seem that this amendment makes no change in the law in that respect. The child's parents are not well off but are in very modest circumstances and the family allowance would be a great help to them. They cannot help the condition of the child, and they are doing all they can to assist her, straining their resources to the limit. Is special consideration given to that type of case?

Mr. McCANN: The practice has been that where the child is resident outside Canada for a period of not more than three months the child is considered resident in Canada for the purpose of the family allowance plan, but where the period is longer than that the grant under the present act does not apply.

Mr. HERRIDGE: It is impossible for the parents to bring the child home and send her back again to school in order to comply with the act. I think special consideration should be given to cases of that type.

Mr. CAMPBELL: How are the children of Indians and Eskimos in remote areas taken care of, also the children of Indians on reserves where there are no convenient schools? The correspondence course would be almost impossible for them to take, because the Indian parents are not able to read or write and could not pass on the correspondence courses to the children. The minister mentioned the Indian affairs branch. Is that the branch which would decide whether these children in remote areas are eligible for the allowance?

Mr. McCANN: We rely entirely on the judgment of the Department of Mines and Resources, which is responsible for the Eskimos and Indians.

Mr. FLEMING: With regard to the new subsection 2 (a), providing that the allowance shall cease to be payable when the child ceases to be maintained by a parent, what interpretation has the department given to the word "maintained"? Has a ceiling been placed on a child's earnings as a condition of eligibility for the allowance?

Mr. McCANN: That is clearly set out in the regulations. I will read the regulation which covers it, regulation 12, under part IV:

(1) A parent shall be deemed to maintain a child substantially so long as the amount or value of the contributions made by such parent, in cash or in kind, for the maintenance, care, training, education and advancement of such child, exclusive of the allowance is $5 or more per month, and provided such amount or value

It is alleged that the federal government, in prescribing school attendance through these years as a condition for receiving family allowances, is in effect prescribing school attendance requirements without reference to the provinces whose responsibility it is under the British North America Act, to deal with all matters pertaining to education and to control the ages of school attendance and provide the necessary facilities for education. Regulations passed coincident with the inauguration of family allowances have actually laid down the policy which is now being incorporated into the present amendment to section 4, subsection 2.

The gist of this amendment is that an allowance shall cease to be payable if a child does not attend school in conformity with the age limits and other conditions laid down by the school attendance authorities of the province in which the child resides. In other words, we will take the judgment of the provincial school attendance authorities in each province as to whether or not a child is attending school in accordance with the laws of that province affecting school attendance. Where the provincial school attendance authorities are satisfied that a child is attending school in accordance with the laws of that province, we will continue the allowances. Where the provincial authorities are satisfied that a child absent from school is legally excused, or that it is not in any way violating the school attendance laws of the province—over the age limit, absent from school on work permit, et cetera—we will likewise continue to pay the allowances as long as the child does not enter the wage-earning class and cease to be maintained by his parent. If, however, the provincial authorities advise us that a child is of school attendance age and is absent from school without justifiable excuse, we will then discontinue the allowances. This means that our practice and procedure will necessarily vary from province to province in accordance with the varying requirements in each province with respect to school attendance.

It should be pointed out further, in connection with the new section 4 (2) (a), that the school attendance regulations with respect to Indians in each province and the school attendance regulations with respect to all children —Indians, Eskimos and whites—in the northwest territories or Yukon territory are matters over which the federal government, through the Department of Mines and Resources, has control. The amending clause, therefore, exempts Indian children in the provinces from the control of provincial school attendance regulations in so far as family allowances are concerned and provides that an educational authority prescribed by regulation shall determine matters of school attendance with respect to Indians in the provinces or children in the northwest and Yukon territories in so far as family allowances are concerned. Under arrangements already set forth in the regulations, designated officials of the Department of Mines and Resources have been named as the educational authorities referred to in connection with these matters.

There is a reference in section 4 (2) of the act as it stands at present to equivalent training as being an acceptable substitute for school attendance. The question has arisen as to who should determine the adequacy of equivalent training. It would not seem to be proper that the federal authority should take it upon itself, in the administration of family allowances, to decide what, in any given case, is training equivalent to that which is offered by the provincial educational authorities. This would mean that the federal government would be setting itself up in judgment over provincial educational authorities and systems. Consequently, instead of prescribing equivalent training by regulation, as called for in the present act, the new amendment contemplates referring all questions of equivalent training to the appropriate provincial authorities in all cases where the provincial authorities have jurisdiction. It will be for the provincial authorities to certify in any given case whether or not training outside the ordinary school system is equivalent to that which would be furnished if a child were actually in school attendance.

Likewise the educational authorities designated by regulation to deal with Indian children and with children in the territories will pass upon questions of equivalent training in cases falling under their jurisdiction.

One of the best examples of equivalent training is the system of correspondence school education which is offered by most provinces for the instruction of children living in remote areas where school facilities are totally lacking.

Finally, some comment should be made on the final proviso in amending section 4(2)(a). We confidently expect that all the provincial educational authorities without exception will agree to cooperate with us in supplying the information and certification on matters pertaining to school attendance or equivalent training. In all provinces without exception we have developed good working relationships with the provincial educational authorities. The time might come, however, in some province when the provincial authorities for one reason or another would not wish to

Mr. ABBOTT: I think that is correct, but that section was put in particularly in view of these numerous local agents of the board.

Mr. DIEFENBAKER: I think that covers my objection completely, and I want to thank the minister for agreeing to the amendment.

Amendment agreed to.

Section as amended agreed to.

Preamble agreed to.

Title agreed to.

Bill reported, on division.

FAMILY ALLOWANCES ACT

AMENDMENT RESPECTING SCHOOL ATTENDANCE AND POWERS TO MAKE REGULATIONS

Hon. J. J. McCANN (Acting Minister of National Health and Welfare) moved the second reading of bill No. 308, to amend the Family Allowances Act, 1944.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Macdonald (Brantford City) in the chair.

On section 1—Proviso.

Mr. FLEMING: Mr. Chairman, I think the first part of the proposed amendment, subsection 2 of section 4, is clear in its intent. With regard to the proposed new subsection (2a), I should like to ask the acting minister a question or two. It will be observed that the effect of subsection (2a) is to take care of cases where a child is not regularly attending school in accordance with the laws of the province or, in the case of the territories, an educational authority prescribed by regulation; that is, attending school or taking training equivalent to that which he would receive if he attended school. Then, at the conclusion of paragraph (2a) is this proviso:

> Provided that where information as to school attendance or equivalent training, as may be requested, is not furnished by the competent educational authority of the province, the governor in council may prescribe the manner in which such information may be obtained.

I should like to ask the acting minister whether any such cases have occurred and whether there has been any difficulty in establishing school attendance on the part of children eligible for family allowances in accordance with the laws of the province of residence.

Mr. McCANN: I might say the department is getting cooperation from every province and there have not been cases of complaint. The main purpose of the amendment to section 4, subsection 2, is to deal with the question of school attendance. At the present time the act provides that the allowance shall cease to be payable with the payment for the month when the child, being above the age of six years and physically fit to attend school, fails to attend school or receive equivalent training as prescribed in the regulations.

On the face of it, this clause as originally drafted might be interpreted to mean that a child over six years of age had to attend school until he was sixteen in order to receive family allowances, even though the laws of the province in which he resided did not provide for compulsory school attendance between the ages of six and sixteen. The fact is that hardly any of the provinces provide for compulsory school attendance at an age as early as six. In most provinces the age for commencing school is fixed at six, but the age for compulsory commencement of school is seven or even eight. That means that children are allowed to go to school at six, but in some provinces they are not compelled to go to school until they are either seven or eight years of age.

In many provinces also the school leaving age is not fixed as late as sixteen. In some provinces it is fixed as early as fourteen or fifteen, and in some provinces there are other provisions to the effect that if a child reaches a certain standing in his school grade, for example, grade nine standing, he is not required to attend school any longer. Other provinces again, in some cases, set the school leaving age at fourteen or fifteen or sixteen, but require a child who attains this age in the middle of a school year to complete the school year before leaving school. Most provinces have developed systems of work permits and other devices under which they legally excuse children from school attendance under certain circumstances, for example, to go to work, to help on the farm, to help at home, et cetera.

All these factors have influenced us in reaching the conclusion that it is not practical to insist in any federal law on compulsory school attendance between the ages of six and sixteen without adjusting our provision regarding school attendance to the circumstances prevailing in the different provinces whose responsibility it is to prescribe the ages for compulsory school attendance.

Exception has been taken to this insistence in federal legislation on school attendance between the ages of six and sixteen as a condition of the receipt of family allowances.

exchanges will be such that it will be possible to remove exchange control within the period suggested by my hon. friend. No one would be better pleased than I were that possible, but I am convinced that it will not be possible. All the indications are the other way. For instance, under the Bretton Woods agreement it was indicated that what was referred to as the transition period would be probably a period of at least five years. Under our loan to Britain there is a preliminary period, a transition period if you will, of five years during which no interest is payable. All the indications are that it will be a period of perhaps two, three, four or five years before we can expect to have anything resembling normal international exchange conditions. That is a matter of opinion, I appreciate, but I put this forward as my opinion.

The difficulty and danger, I think, in putting a rigid time limit on a bill of this kind—a year, the hon. gentleman suggests—would be that this period might expire at a time parliament was not in session, a most inconvenient time, when it would not be possible to have a full and free debate on the matter. There are a number of reasons which I think should be obvious to all hon. members as to why I, at any rate, feel it is not desirable to put a time limit on a bill of this kind. Circumstances are rather different with respect to the Emergency Transitional Powers Act, because in that act the executive branch of government is given power to legislate in regard to a wide variety of subjects. Here we are dealing with a matter the principle of which is very simple.

Mr. HACKETT: But it affects a whole range of subjects.

Mr. ABBOTT: The principle here is that we exercise government control of the international exchanges in place of the free market. The method of administration is complicated, but the principle is simple, and that is the single principle before this house. The house will have an opportunity each year to review the operations of this board, and I should hope and expect that it would review them pretty thoroughly. I should expect searching questions to be asked as to the operations of the board and as to the necessity of continuing those operations. That is why we have inserted in this bill a provision that each year the government must come to parliament for an appropriation to carry on the activities of the board.

For all these reasons and others, the government has come to the conclusion that the usual practice should be followed, that no definite limitation should be imposed upon the operation of this measure, but that it should be left to parliament to repeal the legislation when it is considered no longer necessary in the interests of the people of Canada.

Mr. HACKETT: I should like to draw the attention of the minister to the fact that in Britain the practice to which he has referred appears to be one of definite limitation. I have before me the statutes of 1945, chapter 9 of which is headed "An act to continue certain expiring laws," and begins in this way:

> Whereas the acts mentioned in the schedule to this act are, in so far as they are in force and are temporary in their duration, limited to expire on the thirty-first day of December, nineteen hundred and forty-five:
>
> And whereas it is expedient to provide for the continuance as in this act mentioned, of those acts and of the enactments amending or affecting the same . . .

They are continued for one year, and are to expire on the last day of December, 1946.

Mr. ABBOTT: That is exactly what I said.

Amendment negatived on division.

Section agreed to.

On section 54—Protection of officers and others.

Mr. ABBOTT: You will remember, Mr. Chairman, that this section was allowed to stand. I have given some consideration to the section, and I think that has been done as well by the hon. member for Lake Centre. I explained that the words "written or verbal instructions of the board or an inspector" were put in the section primarily to protect the numerous authorized agents of the board, and particularly the branches of the chartered banks, against frivolous litigation. In order to tighten it up a little, I would suggest that the words "or an inspector" be struck out, and would be prepared to ask one of my colleagues to move an amendment to that effect. Perhaps the hon. member for Lake Centre would care to look at that.

Mr. MACKENZIE: I move accordingly.

Mr. DIEFENBAKER: I think the removal of the words "or an inspector" would cover my main objection to this section. It would then place the responsibility on the board, not on an inspector. As it is proposed to be amended it will not go any farther, as I see it, than the preceding portion of the section, namely that the defendant acted upon probable cause.

were looking at it twelve months from now or eleven months from now we might have a substantially different situation.

I have one further point to make, namely, that I have been disappointed and other people have been disappointed—but I am not going into that—by the fact that the minister has felt it was necessary to have this bill with every "i" dotted and every "t" crossed. Some of us hoped that there might have been some alleviation, some lessening of rigidity. I suggest that from the point of view of those who will administer the act, the foreign exchange control board, psychologically it would be of the greatest advantage if they had facing them the fact that within a comparatively short time this thing has to be reviewed. I think that as things are we have to rely on them to some extent—it is a faint reliance—to come back and tell us that there is some way in which the matter can be handled, the rigidity can be lessened and some freedom restored. Therefore I suggest that from the point of view of those who are to administer this act—if we wish for relaxation ourselves—we should leave them with the onus of coming back next year and saying either that the situation is unchanged and that, therefore, we must extend this power for another year, or, in the alternative, that it can be relaxed in certain ways. Perhaps it is too much to hope that that might be done; perhaps it is too much to hope that they would recommend that. For this reason I put this forward.

If I remember correctly, in committee the minister gave as his reason for the view which he held that the bill should be left as it is—and I am hoping that he has changed in that regard—that he preferred to follow the British practice. I believe that was the statement.

Mr. ABBOTT: That was one of my reasons.

Mr. MACDONNELL (Muskoka-Ontario): The chief reason, as I recall it. I suggest that the British practice is not always uniform; that it does not really get us anywhere by saying it is the British practice, because there are cases where that is not the British practice. I have said that it is not the practice with the Militia Act.

I leave the matter with the minister now by suggesting that no harm can be done by limiting the time, if there is no change in the next year, as I believe we all hope, as I believe the minister hopes, there will be, which will enable us to take a different view. If those changes do occur, then it is of manifest importance that we do not send this out with no time limit on it, but that we have one. Conversely, if we come here next year and we say regretfully that there is still an emergency and we cannot do much about the matter, no harm will have been done except that we shall have spent a little time considering the matter. At that time we would regretfully say—and I am sure the minister will agree with it; in fact he has already said it—that we would again abandon what we regard as the usually normal processes and take up and accept emergency measures to meet with an emergency. I earnestly plead with the minister to grant this last request.

Mr. HACKETT: I listened to the plea of the hon. gentleman who has just taken his seat. I fear that his plea, eloquent though it was, has fallen on deaf ears. I have heard that plea made in the house on a number of accasions, but at no time has there been any indication that the government was willing by one iota to depart from the position that it had taken.

The war is at an end for well over a year. Controls still persist and the means of enforcing them have been reenacted. Much as I should like to see some indication on the part of the government of a return to free enterprise, I am bound to inform you, Mr. Chairman, that the trend is the other way. The trend is directly toward centralization, socialization and perpetuating that system which we took on for the period of the war. There is no intimation, no suggestion of any relaxation, and I say regretfully that, in my view, the plea of the last speaker has fallen upon deaf ears.

Mr. ABBOTT: May I say just one word in reply, more particularly to the hon. member for Muskoka-Ontario. Let me assure him that I did give the most earnest and careful consideration to the desirability and the advisability of putting some time limit on the duration of this bill. After giving it that consideration, for a number of reasons I came to the conclusion that it was not desirable to do so. In substance I gave those reasons to the committee, and I do not know that there is any particular need for my elaborating them here. Under the British parliamentary system it is the general practice not to put a time limit on the duration of a statute unless it is of a special kind. That contrasts with the practice in other jurisdictions where the executive branch of government is separate from the legislative branch; but where the executive branch of government is responsible to the legislative branch, the usual practice is to impose upon the government the responsibility of deciding whether a measure should or should not be repealed, and of course parliament really has that responsibility. There is no indication that conditions in international

are not as well trained as those in the Department of Finance or in the foreign exchange control board—when, in addition to all that, you put upon a man the burden of proving his innocence, then I am surprised that you have not 100 per cent of convictions. I would ask you, Mr. Chairman, to put the question.

Mr. JAENICKE: Is it not true that the burden of proof may be shifted automatically where certain facts are or should be within the knowledge of the accused or defendant?

Mr. FULTON: That may take place, yes, but not as a rule, where the crown has to prove intent. If the crown establishes a prima facie case the defendant has to answer it.

Mr. JAENICKE: Is it not the case here that where the crown establishes a prima facie case that the offence has been committed the burden of proof is shifted?

Mr. FULTON: My point is that the crown is relieved of the burden of proving intent on the part of the person charged.

Section agreed to on division.

Sections 62 and 63 agreed to.

On section 64—Actions to be commenced within three years.

Mr. HACKETT: I have not expressed any opinion with regard to these penalties but I wish to observe that they are a reversion to the days when a person was assumed to be guilty once charged.

Section agreed to.

Sections 65 to 73 inclusive agreed to.

On section 74—Coming into force.

Mr. MACDONNELL (Muskoka-Ontario): I believe it was when the first clause of the bill was under discussion that I asked whether I might then be allowed to move an amendment limiting the effect of the act, and it was ruled by you, Mr. Chairman, that I should reserve the amendment until this time. I do not propose to speak at any length because I gave my reasons substantially the other morning. I wish to go over them briefly.

The CHAIRMAN: Perhaps I had better read the amendment to the committee. It is moved by the hon. member for Muskoka-Ontario that section 74 be amended by adding the following as subsection 2:

This act shall continue in force for not more than one year from the date of proclamation.

Mr. MACDONNELL (Muskoka-Ontario): I think I am correct in saying that when the matter was first under discussion the minister indicated that his mind was open on the subject; and although there has been a period in the interval when I feared that it was not open, I am hoping that it might have opened again. Alternatively, I am hoping either that he has become so tired of saying "no" that he will finally say "yes" to this final appeal. I hope that he has not got so used to saying "no" that he does not know how to pronounce the word "yes".

Mr. ABBOTT: There is nothing I like better than to say yes.

Mr. MACDONNELL (Muskoka-Ontario): I should like to go on by saying that I think the minister has said—whether he has said it or not, I am sure he believes as I do—that this should be regarded as an emergency measure. When you have an emergency measure, it is reasonable to treat it as something which in the ordinary course you would review in a reasonable time. I think there is a danger that in these days the abnormal becomes the normal. One gets used to things which a few years ago he would have regarded with absolute abhorrence. But I am not going to deal with that any farther. I am just going to repeat that I feel that this bill should be looked upon as a temporary measure. I appeal to the minister to accept the view that it is reasonable in these days not to put this on the statute books without a time limit, so that within a comparatively short time we may take another look at it. I submit that if the situation has not changed in a year from now —that is what I am suggesting—but if the times are just as difficult, if nothing has happened to change the situation as it is now, then at that time we could extend it.

I wish to put forward again the two or three precedents which I gave. There was the emergency powers bill which we passed in this house last autumn. There is the militia bill which by the sanction of centuries has been regarded as an emergency measure which parliament has brought back to it each year so that it can have the control clearly in its own hands. And then there is another matter. I mention this specially because it has happened since the bill was introduced, and I hope that it may particularly influence the minister's mind. I mention the fact that since the bill was introduced we have had the United States loan to Britain, and I think he will agree with me that at any rate that introduces a situation which possibly, and I might say even probably, may affect the situation so vitally within the next year that if we

On section 59—Where offence deemed to have been committed.

Mr. HAZEN: Subsection 2 provides that any information or complaint with respect to any offence against the provisions of this act may, where the prosecution, suit or proceeding is instituted under the provisions of the criminal code relating to summary convictions, be laid or made within three years from the time when the matter of the information or complaint arose. Under the criminal code, in matters of summary conviction the information or complaint must be laid within six months.

Mr. ABBOTT: On summary conviction, yes.

Mr. HAZEN: Why is it deemed necessary in this case to extend the period to three years? As pointed out by the hon. member for Kamloops, a man may have a permit now but not three years hence. Why is the period extended for such a length of time?

Mr. ABBOTT: The reason is that a large number of exchange control offences are of such a nature that they are not ordinarily disclosed until a considerable time after the commission of the offence, and in the absence of this section, under those circumstances, prosecution by indictment would be necessary if a charge were laid more than six months after the offence had been committed. There are similar provisions in the Income War Tax Act, section 80, subsection 4, where the time is five years; in the Excise Act, section 121, two years, and in the Customs Act, section 277, where the time is three years.

Mr. HAZEN: Those all have to do with business enterprises.

Mr. ABBOTT: This has a lot to do with business enterprises.

Mr. HAZEN: The ordinary man will not keep his records for three years. There should be some provision to protect him and this section does not make it.

Section agreed to.

On section 60—Penalty—offences relating to property.

Mr. DIEFENBAKER: I do not know whether the minister has given any information in regard to the number of offences tried by way of summary conviction procedure in each of the last three years and the number tried by way of indictment.

[Mr. Castleden.]

Mr. ABBOTT: I have not a breakdown as between the two types of offences, but I have the totals:

Year	Convictions	Fines	Prison sentences
1940...	54	$15,455	2 years—3 cases
1941...	114	39,511	9 months—4 cases
1942...	109	53,450	12 years and 3 months—5 cases
1943...	170	47,560	13½ years—6 cases
1944...	81	40,458	1 year and 2 months—2 cases
1945...	47	28,815	No prison sentences
From Jan. to April, 1946...	12	1,300	

The total fines were $226,549.

Section agreed to.

On section 61—Property liable to forfeiture.

Mr. FULTON: I raise the same objection to this section as I did to section 58. This is a most important matter, and I will simply ask you, Mr. Chairman, to put the question in order that we may have a vote on the section. Before you do that, however, may I say that the principle is exactly the same as we discussed before. Since prosecutions, fines and convictions have been mentioned, I recall speaking with an enforcement officer under the wartime prices and trade board where there are many similar provisions shifting the onus of proof, and that officer boasted—well, I would not say that he boasted, I will simply say that he said: "After all, we are pretty careful before we bring any prosecution. We make sure that we have all the facts, and our record in the cases that we have prosecuted runs to about ninety-eight per cent guilty. That, I think, speaks for itself". The answer I made to him was to this effect: The reason may be one or both of two things. We will admit that you are careful about the way you bring prosecutions, but on the other hand the high level of convictions may mean that you frame the law in such a way that once you lay the charge, a man is automatically found guilty. I think it speaks more that way than it does the other.

Mr. BERTRAND (Laurier): Or it may be that the law is so just and the facts so clear that conviction necessarily follows.

Mr. FULTON: That might be too; but when you have all the burden of proof placed on the defendant, when you have a department having complete records and compare that with the businessman—and I am speaking of small storekeepers who engage in minor transactions, whose records are not as complete as those of the department and whose clerks

with the foreign exchange control board as such; they relate to the effective enforcement of the act, which of course is a pretty important portion of the control, because it is important that people should believe that the act is fully and fairly administered. The great majority of permits and declarations are approved or made to authorized dealers, that is to banks, and it is generally impossible for the board to state definitely that no permit has been granted or declaration made covering a particular transaction. On the other hand the declarant or applicant for the permit gets the copy of it and he knows whether he has got the permit or not.

Mr. FULTON: How long does he keep it?

Mr. ABBOTT: The shifting of the burden of proof is therefore no hardship on the applicant. The defendant in one of these actions knows perfectly well whether he has obtained a permit or not, and it is very easy for him to establish that. On the other hand, permits have been issued by thousands of branch banks throughout the country, and it is pretty difficult if not impossible for the board to know at a given time whether or not an applicant has his permit. Careful consideration was given to this. My colleagues and I are conscious of the fact that this is an exception to the general rule that the burden of proof is on the crown to show that a man is guilty. But we feel on balance that this is a not unreasonable condition to put upon those who are dealing with foreign exchange, and for that reason I feel that the section should remain in the act.

Mr. FULTON: I appreciate the minister's point of view, and I accept at its face value his assurance that careful consideration was given to this matter; but I must make this observation, that it is the first time I have heard difficulty of administration advanced as a reason for making a fundamental change in legal principles, and I think that it is an entirely invalid ground on which to base any argument. For my part I do not accept it. As far as difficulty is concerned, it is no more difficult for the board to prove that it did or did not issue a permit than it is for a man who received a permit three years ago, but who has lost or destroyed it, to prove that he received it; and if the statement that banks or agents of the board do not keep records—

Mr. ABBOTT: Oh, they do.

Mr. FULTON: —is to be urged as justification for importing this principle, I do not think it is a valid argument. I have in mind that this transaction may have taken place four or five years ago and that persons may actually be completely unable to prove they ever received a permit, because they have lost it. Business men, and particularly small business men—country merchants, country storekeepers —do not keep their records as carefully as government departments do, or as we hope government departments do. It is the crown that lays the prosecution or the information; it is the crown which brings the action, and I think the crown should accept the normal responsibility which rests upon it of proving its case before the unfortunate innocent citizen can be found guilty. It is a principle which we simply cannot allow to be infringed for the slender and tenuous reasons the minister has advanced. In order to bring the matter to a head, I move:

That section 58 of the bill be deleted, and that the subsequent sections be renumbered accordingly.

The CHAIRMAN: A similar amendment was moved this morning, and I declared it out of order. The effect of the amendment, in fact the words of the amendment, are that the clause be deleted. The clause will automatically be deleted if it is not carried when I take the vote.

Mr. FULTON: I was under the impression that it was necessary to renumber the subsequent clauses, and that that should be included as an amendment. However the purpose of the amendment is that the question shall be put.

Mr. CASTLEDEN: I should like to ask the hon. member for Kamloops one question. If he were charged with driving a car without a licence, would he expect the burden of proof that he had a licence to be upon the officers of the law, or would he consider that he would have to produce his licence?

Mr. FULTON: I can answer that this way. There is a burden which I know now rests on me to carry my licence while I am driving. But as far as I know there is no burden on me to keep an export permit or any sort of permit, which I may have had four years ago, indefinitely from year to year to be produced when asked for. There is no such obligation upon me.

Mr. CASTLEDEN: I think the same principle applies.

Mr. FULTON: There is a clear duty on a man to produce his licence whenever he drives his car. There is no such duty in this case.

Mr. CASTLEDEN: I think there is.

Section agreed to on division.

On section 58—Burden of proof on the person that he possessed necessary permit.

Mr. FULTON: Subsections 1 and 2 of this section shift the burden of proof which would normally rest on the person prosecuting the case—on the crown, that is to say, or whoever has laid the information—to the defendant. I am going to move an amendment that the whole section be deleted. If the whole section were deleted it would in no way interfere with the principle of foreign exchange control and would not interfere with any powers necessary for its efficient administration, because this clause concerns only the prosecution of a person charged with an offence against the act. The reason I think it is important to delete the section is that it is time parliament put an end to the practice that has been creeping in of shifting the burden of proof on to an accused person or defendant. I admit there are precedents for that in the Customs Act and Excise Act, but that does not make the principle a good one. I do not think one wrong is justified by another. Secondly, this is an entirely new set of circumstances. Even the minister has admitted that he hopes this control will only be temporary and that he does not want to give powers that are not essential. That in itself makes the argument as to what was done before in some other act invalid in this case. A further reason why this section should be deleted is to be found in the sections immediately following, sections 59 and 60, which provide that all proceedings under this act are to be laid in accordance with the criminal code. There is no separate procedure provided for by this bill. If the proceedings are brought under the criminal code it becomes in essence, although some details of the procedure may vary, an offence that partakes of the nature of a crime. It has always been held, and never questioned, that before a man can be found guilty of a crime the crown must prove the element of intent, and I think it is a bad principle to make it possible to lay proceedings under the criminal code and then to say "we will exempt the crown from the obligation of proving that the man intended to commit the infraction of which he is charged." If it is not intended that the crown should have to prove that intent, if it is not intended that the crown should accept all the burdens imposed on it by the criminal code, I suggest that some other procedure should be laid down.

By reason of a conviction under this act a man is virtually branded a criminal, because that is the effect when an information is laid under the criminal code. I suggest that the effect of this section 58 that when a person is charged with an offence, and it is established in proof that the person did any act or omission for which a permit is required, it shall not be necessary to establish in proof of the offence that the person charged did not possess a permit or had not been exempted, and so on, and the burden of proof that he did act in accordance with the regulations shall pass to the person charged—means that the crown is relieved from the burden of proving that the person intended to break the law. It is admitted, of course, that ignorance of the law is no excuse; a man cannot plead "I did not know the law and therefore I am not guilty of intentionally breaking the provisions of the act." But many people, knowing the law, nevertheless do things entirely innocently as far as intent is concerned, having no wish to break the law or even infringe any of its provisions. I know that similar provisions are found in many regulations under the wartime prices and trade board with regard to rationing, and that it is provided that if a certain set of circumstances is proved the onus of proof is placed on the accused person to show that he did not commit an infraction of the act. But these infractions may extend back over three to five years, and no one can prove, if he is in business, that every single transaction back over that period complied with the terms of the act, because he will not have all the records to show it. Virtually all the crown has to do is to lay a charge, and he cannot prove his own innocence, and therefore he will be found guilty. That will be the result of section 58 in many cases.

I feel that it is time we in parliament objected to what is in effect a change in the principles of the criminal law and in the procedure under the criminal code. Members of parliament should take a stand in defence of the rights of individuals who were placed under so many regulations passed by this and other boards that, although the legal maxim "ignorance of the law is no excuse" still exists, it is utterly impossible to know what the law is. When we follow that up by saying, "Whether you know the law or not, and whether you intended to break it or not, you shall be found guilty and the crown shall not have to prove the intent", I submit we are introducing a very bad principle. I ask the minister whether he is prepared to delete this section.

Mr. ABBOTT: Perhaps I may say a word at this point to explain the reasons. My hon. friend is quite right when he says that the provisions of this section have nothing to do

acts when he said that they conferred similar unlimited terms. They do not. I agree that a defendant acting on probable cause should be protected, but I cannot see how anyone could justify a situation wherein a defendant who has proceeded unfairly may defend himself by citing to the judge that he was acting on behalf of some one superior to him. It opens the door to the interference with private rights, and it gives a sense of security to offending officials which I submit is not justified. You might just as well go as far as regulation 39 did during the war and say that there is no right of action at all. However, that would have been too direct and too startling. Instead of saving that, provision is made that a person while technically having the right of recourse to the courts, has in reality no rights against a wrongdoer. I want to see the law enforced, but I do not want to see administrative officers becoming the masters of the people because of the reliance they will be able to place on a section such as this, which gives them unlimited and unrestricted power to interfere with private rights. I appeal to the minister—I will do no more than that—to consent to an amendment deleting that portion of subsection 2 beginning with the word "or" and ending with the word "instructions", so that the subsection would read:

> If in any action, suit or proceeding to which this section applies the court or judge before whom the trial takes place certifies that the defendant acted upon probable cause, the plaintiff shall not be entitled to more than nominal damages nor to any costs of suit, nor, in case of a seizure, shall the person who made the seizure be liable to any civil or criminal proceedings on account thereof.

The effect of the amendment would be to make the section the same as it is in the Customs Act and in the Excise Act. The minister felt it was the same until I brought it to his attention this afternoon. Apparently he had been so instructed. I appeal to him that parliament should not go further in giving that immunity to public officials which the subsection in its present form will confer.

Mr. ABBOTT: I am sympathetic to my hon. friend's amendment, but perhaps I should tell him why these words were put in the bill. The board acts, as he knows, in large measure through the managers of branch banks. The banks act as agents for the board, and it was felt that to afford reasonable protection to the branch banks, which act merely as agents for the board, these words should be put in. I do not think it really adds to the protection which is afforded under the Customs Act. Under the Customs Act the officers are all government employees, but in the administration of the affairs of the board we have to have a good many outside agents. Every chartered bank and its branches are agents for the purpose of issuing or refusing permits, and so on. I do not think this is an arbitrary or excessive power, and I should be reluctant to strike it out of the bill, for the reason which I have given.

Mr. DIEFENBAKER: Will the minister let the subsection stand and give consideration to the amendment?

Mr. ABBOTT: I shall be very glad to do that.

Mr. HACKETT: My very brief observations will have to do with the following section, and I am going to ask the minister if he would be willing to consider my suggestion also at the same time. Section 55 gives immunity to any officer who has attempted to effect a seizure of the property and has found out after making the attempt that there was no property there to seize. Has the minister considered whether it lies within the power of this parliament to impinge to the extent that the section seems to impinge upon property and civil rights? If I have been damaged by a person, he is liable to me for those damages and the rule in the province in which the minister practices is that a person can only disinculpate himself if he can establish that he has exercised reasonable care; the mere instructions of a senior officer are not sufficient to give immunity to the police officer who arrests a person without reason. I am going to ask the minister, when he is considering the suggestion made by the hon. member for Lake Centre, to consider and advise the committee whether the powers of parliament have not been exceeded in the enactment of the following section 55.

Mr. ABBOTT: I am advised not. This section is in effect the same as section 162 of the Customs Act, which has been in that act for a great many years. I am satisfied that it is within the legislative competence of parliament. My hon. friend's point is slightly different from the one raised by the hon. member for Lake Centre, although it resembles it.

Subsection 1 of section 54 agreed to.

Subsection 2 stands.

Section stands.

Sections 55 to 57 inclusive agreed to.

think my hon. friend intended to imply this, but if the penal provisions are enforced and an individual is fined or sentenced to imprisonment there would be an appeal in the ordinary way. There is no suggestion that that form of appeal is taken away under the bill.

With the exceptions which I have mentioned, the three cases where appeal to the courts is provided, the decisions of the board would concern principally the granting or refusing of applications for permits and the like; in other words, the exercise of discretionary power. No one knows better than my hon. friend that where a person is given discretion, whether it be a minister or a municipal council, to issue permits, the courts do not interfere with the exercise of that discretion unless it is shown it was not exercised in a bona fide manner or was influenced by improper motives. That is a well recognized principle.

Mostly the matters in which those discretions are exercised have to do with administration. In cases where the liberty of the subject is involved, in cases where there is a question of fact such as the fair value of property, in cases where the board has made a prohibition under section 49 to deal with property or where currency has been forfeited, there is an appeal, first to the board, then to the minister and finally to the courts. In these discretionary and administrative matters the appeal is from the authorized agent in the first place, if it is a customs officer or a bank, to the board and then from the board to the minister.

I do not agree with my hon. friend that appeals to the minister in cases of this kind are futile. I have had a few personal experiences of this kind; I know that there is opportunity for the minister to review administrative decisions, and on occasion they have been overruled. I suppose it is only fair to say that in the vast majority of cases the minister would confirm the exercise of discretion by the board. That would probably be because he agreed that it was wisely exercised.

Mr. DIEFENBAKER: How many appeals were there in the last three years, and in how many cases did the minister reverse the order made?

Mr. ABBOTT: I am told by the secretary of the board that there were no appeals from the board to the minister.

Mr. HACKETT: Have not those appeals been given up since the Pioneer Laundry case?

Mr. ABBOTT: That was a question as to the exercise of a discretion. It has been a well-recognized legal principle for years that the courts do not interfere with the proper exercise of discretion.

Mr. HACKETT: That is quite true, but the minister will recall that the privy council held in the Pioneer case—

Mr. ABBOTT: I am familiar with that case.

Mr. HACKETT: —that that was a judicial discretion and that the discretion should be exercised only for legal and judicial reasons; that the arbitrary exercise of discretion was illegal.

Mr. ABBOTT: That is true. As I said once in this house when referring to the Pioneer Laundry case, the mistake made by the commissioner of income tax was in giving his reasons.

Mr. HACKETT: He attempted to give them in a subsequent case, and you know what the court of appeal in British Columbia did to that?

Section agreed to.

On section 28 (2)—Board may prohibit, or impose conditions on transfers between non-residents.

The CHAIRMAN: Hon. members will recall that section 28 (2) was allowed to stand until we considered section 35. Is it agreeable that we carry section 28 (2)?

Subsection agreed to on division.

Section 28 agreed to.

Sections 38 to 47 inclusive agreed to.

Section 48 agreed to on division.

Sections 49 to 53 inclusive agreed to.

On section 54—No action until one month after notice.

Mr. DIEFENBAKER: I referred to this section a while ago, and I am not going to repeat what I said. This is the section that absolves and frees a person from any action, however illegal, however unjustified and however tyrannical it may be, who is able to say that a member of the board or an inspector, had instructed him whether verbally or in writing, so to act. I looked up every act and every regulation I could find, and never before has the government asked that a person who acts beyond the powers of a law, who diminishes or destroys the rights of an individual, shall be able to offer as a defence that somebody his senior instructed him so to act. Apparently the minister had not read the Excise Act, or the Customs Act, or he was following the advice of advisers who had not read those

be followed here. If you are providing for an appeal to the minister, what is your position? In that regard the report of Lord Sankey's commission, which was tabled in the House of Commons and the House of Lords and has since been accepted as a cardinal contribution to the maintenance of the liberty of the subject, has this to say:

> In future legislation parliament should proceed on the principle that no minister (in which word we include any officer of a minister acting under his orders) should give a judicial decision in any dispute . . . in which departmental interest prevails. If such cases appear likely to arise, parliament should provide for determination of the dispute by a ministerial tribunal functioning independently of the minister.

If you are going to deny that right of appeal, your position is this. If there is no appeal the servant is indeed the master, for the appeal is to the master. An appeal to the minister is merely illusory and a formality; in addition, an appeal to the minister places him in the position of being a judge in his own cause. There is also a further point in that connection, that a person should not be condemned unheard, that he has a right to equality under the law and to the application of the principle that one shall not be discriminated against unfairly within any one class. All these provisions and recommendations of the Sankey commission are set at naught by section 37, which simply provides that there is no appeal except to the minister which, at the risk of reiteration, I say is an appeal to the person concerned himself. It is interesting to read what the Sankey report has to say with regard to appeals to the minister from the decision of an administrative board:

> Indeed we think it is clear that bias from strong and sincere conviction as to public policy may operate as a more serious disqualification than pecuniary interest. No honest man acting in a judicial capacity allows himself to be influenced by pecuniary interest; if anything, the danger is likely to be that through fear of yielding to motives of self-interest he may unconsciously do an injustice to the party with which his pecuniary interest may appear to others to identify him. But the bias to which a public-spirited man is subjected if he adjudicates in any case in which he is interested on public grounds is more subtle and less easy for him to detect and resist.
>
> We are here considering questions of public policy and from the public point of view it is important to remember that the principle underlying all the decisions in regard to disqualification by reason of bias is that the mind of the judge ought to be free to decide on purely judicial grounds and should not be directly or indirectly influenced by, or exposed to the influence of, either motives of self-interest or opinions about policy or any other considerations not relevant to the issue.
>
> We are of opinion that in considering the assignment of judicial functions to ministers parliament should keep clearly in view the maxim that no man is to be judge in a cause in which he has an interest . . . Parliament would do well in such a case to provide that the minister himself should not be the judge, but that the case should be decided by an independent tribunal.

These views, as expressed by this commission which was representative of the greatest leader of both British houses of parliament and of the bench, deserve consideration. I realize that the minister takes the view that certain control is necessary in order that this legislation may be carried into effect, but surely any person whose rights are unjustly interfered with should have a right to appeal beyond the minister. I can see no reason why a question of one's liberty or of one's rights as a citizen should not be subject to appeal, while in connection with monetary matters there should be an appeal to the exchequer court. On the one hand the individual has no appeal when rights are swept aside. On the other hand if a question arises as to the fair value of any property, debt, obligation, claim or service, then there is the right of appeal to the exchequer court.

I ask the minister in what way this control would be interfered with if those who administer the law, the servants of the people, were to realize that when they did wrong or acted unfairly there would be a right on the part of the aggrieved person to appeal to the courts as is provided in section 38? I can do no more than say that, however desirous he may be to perpetuate these controls, surely he should be as anxious and as zealous to assure those whose rights are interfered with unfairly a right of recourse to the courts without which there can be no justice or equality under the law.

Mr. ABBOTT: I should be very glad to say a word on this question of appeal. I know my hon. friend will believe me when I say that I am just as anxious as he is that appeals to our courts should not be unduly curtailed. I hold with him that legislation which takes away from the subject the right of appeal to the courts in a proper case is not proper legislation.

Under this proposed measure there are three cases in which an appeal to the courts is provided. First, there is the case of the determination of fair value of property under section 38; second, there is an appeal from a prohibition made by the board under section 49 on dealings with a person's property in order to ensure the carrying out of the provisions of the act, and, third, there is an appeal from a decision of the board forfeiting currency valued at not over $100 which has been dealt with contrary to the act. I do not

sections and the remainder would be handled by regulation. The hon. member for Lake Centre referred to the British measure as being passed by a socialist government. Let me tell the committee that in England the foreign exchange control provisions are still being administered under emergency powers enacted by the previous government, which was not a socialist government. They have not brought into parliament a special statute as we have here, subjecting the board to the control of the minister, in that case the chancellor of the exchequer. This measure is an attempt to combine the doctrine of ministerial responsibility to parliament with the wide administrative discretion which must be given to a board to exercise powers which we believe are in the interests of the Canadian people.

Mr. HACKETT: In Britain are the powers not exercised under a statute which was passed by the present government?

Mr. ABBOTT: No; I am informed they are powers which were exercised under emergency orders in council, or whatever is the equivalent over there, passed under the Emergency Powers Act, enacted by the previous government.

Mr. HACKETT: By act of parliament.

Mr. ABBOTT: Just a short enabling bill of two or three sections. It is all covered by regulation. As I say, if we had followed the practice there we would have brought in a short bill of two or three enabling sections and then done it all by regulation. Instead of that we have brought in a bill in which we are trying to spell out in as complete terms as possible the powers which we believe the board should exercise. In a measure of this kind it is obviously easy to point out that broad powers are conferred on the board. My answer is that the powers must necessarily be broad. The very essence of exchange control is control. It is unfortunate that we must have control; nevertheless I am profoundly convinced, and the government is convinced; in view of the conditions under which the world finds itself to-day, it is essential unless we are to leave the thing wide open. I dealt with that yesterday. We have to provide working machinery to do it. That is what we are trying to do in this bill.

Amendment (Mr. Diefenbaker) negatived on division.

Section agreed to.

Section 36 agreed to.

[Mr. Abbott.]

On section 37—Appeals.

Mr. DIEFENBAKER: In the matter of appeals, Mr. Chairman, it is all very well for the minister to brush the matter aside and say you must have power, and you must have unnecessary power, in order to carry out the provisions of the law; but I do ask the minister to give consideration to this matter. He has spoken of the situation in Great Britain. In that country since the war, under the present government—and you can follow this through day by day—when any matter has come before the House of Commons involving wartime restrictions against appeals, invariably those restrictions have been removed, to the end that the subject may be assured an opportunity to secure justice. Look at this section. It provides for an appeal to the minister against every matter, order or declaration made by this board, and that when an appeal is made from the employee of the minister to the minister, the decision of the minister shall be final. In 1930 a committee of the British parliament was set up under the chairmanship of the lord high chancellor with a view to looking into this whole question of the maintenance of the right of appeal to the courts; and I cannot conceive of any justification for an arbitrary declaration of a board not being subject to appeal to the courts. In that there is nothing which would interfere with control; for if the decision is legal it will be upheld. If on the other hand it is illegal, the order of the board never should have been made and should be reversed. The only reason for which an appeal can be opposed is that the board is afraid that on appeal its decisions might not be supported; and in these days when it is so necessary to assure a degree of justice to everyone, and to assure that justice is done, I submit that the opinion expressed not too long ago by the lord chief justice of Great Britain is applicable and pertinent at this time. He said:

> Amid the cross-currents and shifting sands of public life the law is like a great rock upon which a man may set his feet and be safe, while the inevitable inequalities of private life are not so dangerous in a country where every citizen knows that in the law courts, at any rate, he can get justice.

I appeal to the minister on this matter. I know he has the support of the majority behind him in whatever stand he takes; but I suggest that where, as in this act, the servant if he acts illegally may indeed be the master and where there is no supervisory jurisdiction on the part of the courts of the land against arbitrary or illegal interference with rights, what is followed in Great Britain might well

should not be too technical about the details of its administration. Evidently the government is willing to take the responsibility for the administration of this board, and if in the future we find that some of the things they do are not right, we shall have the opportunity to criticize them.

If it is in order I should like to refer to a newspaper clipping to indicate why I am surprised at the attitude taken by the hon. member for Lake Centre. Speaking to the Toronto Conservative business men's club in 1942, he is reported, under the heading of "Advises Tories to Modernize" to have said: I do not know whether they took his advice, but referring to the challenge of the C.C.F. and the Liberal party he said:

> The Conservative party must meet this challenge that comes to it and show the people that our economic system shall continue to be one of free enterprise under stringent control.

These are his words. If the hon. member wants a free enterprise system under stringent control, I am not going to argue with him about it. I think that is what we are getting. According to the argument used by the hon. member for Stanstead—and I respect his views—he wants unrestricted private enterprise. These may not be his exact words, but I believe it is his political philosophy. If we were to follow that to its logical conclusion we would not have free enterprise at all. We would have monopoly capitalism. If we are to have controls—and we seem to agree that there should be some controls; I do not say we should have stringent control such as advocated by the hon. member for Lake Centre—we should have controls which can be removed by the action of this parliament. Any powers that we give to a board under this legislation will eventually come back for review where there is power to remove them if we dislike them.

Let us never forget that we have controls at all times. The lack of legislation does not mean the lack of controls, financial or otherwise. The controls are always there. Somebody is always manipulating our monetary system. Someone is manipulating the finances of this country. Somebody must be in control or else we would have only chaos. We must either choose the controls which we can remove if we do not like them, or we must accept control by private interests.

Mr. ABBOTT: I have a word to say before the amendment is put. The hon. member for Lake Centre, who is not given to understatement, in his comments on this section to-day has almost excelled himself. I have heard him express the views on other measures which have been brought before parliament.

Mr. DIEFENBAKER: Which were changed.

Mr. ABBOTT: I do not for one moment question the sincerity of these views. I admit that the powers which are conferred by this bill are broad. I am not prepared to say that they are the widest powers ever conferred by parliament on administrative bodies. My experience is not sufficient to enable me to make that categorical assertion.

Mr. MACKENZIE: They are not half as broad as those conferred in 1934.

Mr. ABBOTT: I say that they are broad powers; but here is the position. The government believes that exchange control is necessary in the interests of the Canadian people. That being so, the question arises as to how that control is to be exercised. The government feels that it can be best exercised in the interests of the people of Canada by the administrative body which was set up during the war to exercise it, namely, the foreign exchange control board, and it believes that the Canadian people are prepared to accept administration by that board.

In passing a bill of this kind it is impossible to spell out in detail all the powers which such an administrative board will require. After most careful consideration we came to the conclusion that the policy which must be followed would be to confer upon the board broad powers, subject, of course, to their being approved by the governor in council and to appropriate publicity being given to them; to give the board broad powers and then to permit those powers to be varied by regulation as was done during the war. For example, the regulation which is being suggested here to declare that a non-resident shall be a resident or a resident a non-resident is a case in point. Let me give an example of that. During the war and to-day a number of United States citizens are residents who have come to Canada for a year, two years, or three years to do special work. Now, technically, on coming here they become residents of Canada, but it has been always felt that it would not be fair to subject that class of persons—those who were not here before the war—to the operations of foreign exchange control restrictions; therefore by regulation the board, the administrative body, is given the power to exempt them from the provisions of the act. It seems to me that that is an eminently reasonable provision.

I do not deny for a moment that the powers which are given to this board are extensive, but my submission is that of necessity they must be. If this bill were being put forward in the British parliament I venture to say it would consist of two or three enabling

asked to set up a board to overrule the laws it has passed. It is the first time that parliament has given a board power to overrule the laws passed here. No one will know what the law is if we pass this section. The board can change the law at any time. To give a board such powers is to violate a fundamental principle of democratic government.

Mr. MACKENZIE: May I read a section from the act passed by my hon. friends opposite. Quoting from *Hansard* of May 21, 1934, page 3256, in the discussion of the marketing act:

Every local board established hereunder—

Listen to this Tory perfidy.

—shall continue to have authority to exercise its powers—

Some hon. MEMBERS: Order.

Mr. MACKENZIE:

—until such time as the governor in council withdraws such authority.

That is Toryism. That is the Tory party.

The CHAIRMAN: Is the committee ready for the question?

Some hon. MEMBERS: No.

Mr. ABBOTT: I intend to say a few words in reply, Mr. Chairman.

Mr. ZAPLITNY: Before we are called upon to vote on the amendment I think I should say a word or two. I have been listening patiently and not saying anything in order to facilitate the work of the house. I understood when I came here that if we refrained from speaking it would expedite business, but evidently someone gave me a wrong steer, because, according to the way things have worked out, if we refrain from speaking some other members regard our silence as meaning consent and spend their time making attacks on us. I would not say anything at all except that hon. members to my right—and the members I refer to are among those I admire most in that group—have repeatedly referred to the C.C.F. in this argument. Why they bring us in I do not know. I for one was not consulted by the government before they drew up this legislation. I do not know whether my colleagues were. We are simply considering what has been placed before the house, and why the official opposition insists on giving us credit for everything the government brings forward that is of any value I do not know.

The member for Stanstead, the member for Muskoka-Ontario and the member for Lake Centre are the gentlemen to whose arguments I refer. I have a great deal of admiration for their ability; but the more they speak the more I find myself at a loss to know where they stand.

Mr. MACKENZIE: They don't stand; they fall.

Mr. ZAPLITNY: I do not wish to become personal or to criticize them because I admire their ability and I respect their views. But the member for Stanstead is opposed to the bill holus-bolus; the member for Muskoka-Ontario is opposed to some of its provisions, and only to-day the member for Lake Centre gets up and says he admits the necessity for the board.

Mr. DIEFENBAKER: I never said any such thing.

Mr. ZAPLITNY: He admits the necessity for it—

Mr. DIEFENBAKER: That was one time you were not listening.

Mr. ZAPLITNY: I accept his denial, but I am sure the record will bear me out.

Mr. GRANT: Don't scratch it out of *Hansard* to-morrow.

The CHAIRMAN: May I interrupt to point out to the hon. member for Dauphin that he is referring to a debate which took place within the last few days and which frequently dealt with the principle of the bill. I feel it my duty to remind members of the committee that they must make their remarks relevant to the section under consideration and not discuss the principle. The committee will agree with me, I think, that the time for a general discussion has come to an end and that remarks now should be strictly relevant to the section before us. I would ask the member for Dauphin to be good enough to relate his remarks to the section and not refer to the remarks of other members with reference to the principle of the bill.

Mr. ROSS (Souris): He can't get in propaganda under the section.

Mr. ZAPLITNY: Thank you for your guidance, Mr. Chairman. This section deals with regulations which I understand are based on the principle of the bill, and I am only following the line of argument used by the member for Lake Centre when I refer to some of his remarks. I hope I shall stay within the four corners of the rule.

The impression I had, listening to the member for Lake Centre, was that he felt there was need for such a board as this. He is nodding his head. He admits that. If we are to have a foreign exchange control board, if we admit that it is necessary, then I think we

Mr. DIEFENBAKER: Well, after all, sir, before a person can set forth his amendment he has to set forth the circumstances making it necessary. We are not in the same position as the government, who can hand their friends a dish of crow and say, "Take it or leave it". We have to advance reasons why there should be a change in the law. I therefore move, seconded by the hon. member for St. John-Albert:

That paragraphs (d) and (e) of section 36, subsection 1, be deleted.

In consequence there would be a renumbering of the subsequent paragraphs.

Mr. ABBOTT: I do not know whether any other hon. member cares to speak to the amendment. If so, it may save time if I wait until all hon. members who wish to discuss it have spoken.

Mr. IRVINE: The hon. gentleman who moved this amendment told the committee frankly that he did not understand the section. I think he took a little more time than was necessary to prove that. I was interested in the discussion which took place arising out of some of his remarks, reference having been made to a certain bill with similar clauses which was passed by a previous parliament.

Mr. FULTON: They were not similar at all.

Mr. IRVINE: I am glad to say I supported that bill, and some of the strongest artillery on the side of the present government opposed it. To my mind that was one of the best pieces of legislation ever put on the statute books of Canada. Here we have one of the best pieces of legislation which this government has ever brought forward, and it is being opposed by the heaviest artillery on the other side. I am glad, Mr. Chairman, to realize that I have been right both times.

Mr. HAZEN: In rising to support the amendment moved by the hon. member for Lake Centre I feel there is little I can add to the statements he has made. He has gone thoroughly into the matter and has pointed out very clearly the reasons why these clauses should be removed from section 35 of the bill. The day before yesterday, when section 23 of the bill was before the committee, I pointed out that a business man would be precluded from paying or handing money to a tourist. The minister said in reply that this was correct, but he added that it was or would be covered by regulations. His statement and mine will be found on *Hansard* at page 4452. I read the section of the bill and I said:

In view of that part of the section which I have read, and that definition, is not a business man in this country precluded from paying money or handing any money to a tourist who comes in here? As I read the section, that is one of its effects.

The minister said: "Theoretically my hon. friend is correct." I take it from that statement that he meant I am right.

Mr. ABBOTT: It is covered by the regulation. as my hon. friend knows.

Mr. HAZEN: The minister continued:

That, of course, is covered by regulation. That is an obvious case in which there should be the general rule, and payments to tourists are accepted from that general provision.

I was surprised by that answer. As I understand it, what it means is that when the members of this house have passed a law which has a clear meaning, the board can change the law by regulation.

Surely things are coming to a strange pass in this country when a thing like that can happen. I recall reading some time ago—I have since looked it up—Lewis Carroll's classic. When Alice took exception to Humpty Dumpty defining the word "glory" as meaning "a nice knock-down argument," Humpty Dumpty replied in rather scornful tones, "When I use a word it means just what I choose it to mean, neither more nor less". But "the question is whether you can make words mean so many different things," Alice objected; and Humpty Dumpty replied, "The question is, which is to be the master—that is all."

The question here, it seems to me, is, who is to be master? Are members of parliament to be master, or is the board?

An hon. MEMBER: Surely.

Mr. HAZEN: An hon. gentleman suggests that members of the House of Commons are to be the master, and so they should. But under this section the board by regulation can change the laws that we make here. Let me refer to the section again. Section 35 makes the board the master. It is provided that the board may make regulations, and when we turn to paragraph (e), taking the two together, we read:

The board may make regulations notwithstanding anything to the contrary contained elsewhere in this act, exempting any person or any class of persons . . . from any provision of this act.

Surely that is going altogether too far. This is the first time, as the member for Lake Centre pointed out, that parliament has been

faith in carrying out such instructions, the plaintiff shall not be entitled to more than nominal damages.

They have extended the freedom of the board by those extra words, so that this board and everyone acting not only under the board but under an inspector is free from prosecution if he is able to say "I did wrong; I am sorry about it, but I did it in good faith because Inspector Jones told me to do it." That is the end of the action so far as the liberty of the subject is concerned. There is the difference.

Mr. ABBOTT: A distinction without a difference.

Mr. DIEFENBAKER: That is why I submit that if the subsection is passed in its present form it simply amounts to this, that you substitute the interpretation, the will or the action of an individual or of the board for a statute passed by parliament. If you pass that subsection in its present form and give those powers to a board uncontrolled and untrammelled, I ask you where is responsible government in this country? Admitting the necessity for a board, admitting the necessity for regulations in respect of routine matters, why should we place the servants of the people above the law of the land, so that each in turn can say, "It was somebody else that led me astray. I got the order from the man immediately above me." To do that is to make a mockery of responsible government.

Yes, you have a servant of the people who is the master of the people, and free from any supervisory jurisdiction by the courts against arbitrary, unlawful and unfair interferences with private rights. There is not an hon. member who can read this section without seeing what it means. I have no objection to the first part of it. An officer must have some protection, but let him have the same protection as has been granted to any officers in the past—that they are acting upon probable cause. Do not let this parliament go to the point that no matter what right is trampled upon, the individual when he goes to court to try to rectify what has been done against him unfairly in the matter of trespass, can be answered by an official who says, "Well, if I did wrong I did it in good faith, because somebody higher than I told me to do it"—the old excuse right from Eden down.

When I first heard the hon. member for Muskoka-Ontario speak about the effect of this provision I asked myself, can it be so? Then I heard the hon. member for St. John-Albert reciting the unfairnesses which had taken place. You could not touch these officials during the war. They made their own regulations then. They were honest enough in those regulations to say that you could not do anything but take what you got. This is the wording of the old section:

No person shall have any rights or any remedies against and no action shall lie or be brought against any person in respect of any act or omission of such person on or after the 16th September, 1939, which was required or which he believed in good faith would have been required by this order or by regulations or instructions of the board.

In other words, you did not have any rights. They did not want to put it in that way, so they altered it a bit and used these words to the effect that the defendant is absolved if "he was proceeding under written or verbal instructions" of his superior. I again point out that nothing like this appears in the Customs Act, in the Excise Act, or in any other act I have been able to find. I looked at the statutes my hon. friend mentioned because I thought he would know which one contained such a provision. Are there any other acts I should refer to? I should like to know. I have not been able to find them.

Without regard to the merits or necessity or lack of necessity of this legislation, has the time not come for this parliament to put a stop to the administrative lawlessness which the passage of such an order in council permits? Parliament alone can do it. The individual member of parliament can do it. It is not a matter of any other consideration than a facing of the issue. To-day in this parliament we are asked to do something which we have never been asked to do before—to give a servant, however far down in importance in the work he does in the department, the power to determine for you and for me your rights and my rights. The only appeal is an appeal to the minister—and I will deal with that, when we come to question of appeals, by indicating what a British judge recently said with regard to the impropriety of appeals being to the minister. And we are denied the right to go to the courts, however unfair the action may have been. During the war arbitrary rulings were made by various boards. They had a job to do in war time, and all honour to those who served and did those jobs at that time. Arbitrary rulings were made, and they were accepted, and a man's right of appeal and of recourse to the courts was taken away. But, sir, when you take away all right of recourse to the courts, place uncontrolled power in the hands of any individual or board, you deny freedom and equality and justice to the individual. I therefore wish to move an amendment—

Mr. MACKENZIE: Part of the filibuster.

There is one small recourse. Ordinarily when you are treated arbitrarily and trespass has been committed against you, you could go to the courts. That is all over now. If my rights are interfered with, all the defendant has to do, if I sue him, is to say that he was proceeding under written or verbal instructions of the board or of an inspector and was acting in good faith in carrying out those instructions. In other words I go to the courts for the purpose of establishing my rights against these unfair and discriminatory orders. Trespass has been committed against me.

Mr. ABBOTT: How do you trespass against the foreign exchange control board?

Mr. DIEFENBAKER: Look at the rights which the inspectors have. If they do not amount to trespass, I do not know what does. I am sure that my hon. friend was speaking jocularly, as he answers many questions in the house. He did not mean that seriously. Because trespass is exactly what that action is—an unfair interference with my rights.

What happens? I go to the courts. All that the defendant has to do is to say that an inspector told him to do that verbally—not even in writing—and my rights disappear. All I can get is nominal damages, and no costs for having brought the matter to court. Such a section has never before been enacted in this country. I pause to give my hon. friend the opportunity to say what he said last night and two or three times yesterday, that such a section appears in the Excise Act and in the Customs Act. Never before has that section been incorporated in our statutes to deny the rights of individuals. It is neither in the Excise Act nor in the Customs Act.

Mr. ABBOTT: Will my hon. friend look at sections 157-160 of the Customs Act?

Mr. DIEFENBAKER: Yes, I have them here.

Mr. ABBOTT: I have them too.

Mr. DIEFENBAKER: All right; we will read them together, and that will show that my hon. friend has not read them because such a section is not in the Customs Act.

Mr. ABBOTT: Suppose you read them before you make assertions. Read section 157, under the heading, "Protection of officers."

Mr. DIEFENBAKER: Section 157 reads:

No action, suit or proceeding shall be commenced—

and so on.

Mr. CLEAVER: Read it.

Mr. DIEFENBAKER: Yes, I will read it for my legal friend from Halton.

No action, suit or proceeding shall be commenced, and no writ shall be sued out against, or copy of any process served upon any officer—

And so on.

Mr. CLEAVER: Read it.

Mr. DIEFENBAKER: I am not leaving out any material part.

Mr. ABBOTT (reading):

—or person employed for the prevention of smuggling, for anything done in the exercise of his office, or duty—

Mr. DIEFENBAKER: All right; let us get back to what I am saying.

Mr. ABBOTT: As Mr. Gladstone used to say, read on.

Mr. DIEFENBAKER: The laughter indicates that my hon. friend the minister is not the only one who has not read this section. Section 157, subsection 1, provides that no action against an officer shall be taken while a proceeding is pending nor until one month after notice. Subsection 2 sets out what the notice shall state. Subsection 3 sets out what the evidence shall be. Section 158 sets out in subsection 1 that the defendant may tender amends; subsection 2 deals with what may be done if the amends are sufficient. Subsection 3 deals with costs and subsection 4 with payment into court. Section 159 deals with the limitation of time. Then I come to section 160, and that is different from the section to which I have been referring. Section 160 says:

If, in any such action, suit or proceedings, the court or judge before whom the trial takes place certifies that the defendant acted upon probable cause, the plaintiff shall not be entitled to more than twenty cents damages nor to any costs of suit, nor in case of a seizure, shall the person who made the seizure be liable to any civil or criminal suit or proceedings on account thereof.

The section in the Customs Act and the section in the Excise Act provide that if the defendant carrying out a public duty does so on probable cause, then in that case he is absolved from damages. But the board was not satisfied with that section. The board thought that it did not give them sufficient protection, and so here is the section which they now place before parliament. This is subsection 2 of section 54:

If in any action, suit or proceeding to which this section applies the court or judge before whom the trial takes place certifies that the defendant acted upon probable cause—

It is the same up to that point, but then these words are added:

—or, if the defendant was proceeding under written or verbal instructions of the board or an inspector, that the defendant acted in good

Mr. DIEFENBAKER: Naturally I would not concede that, because this is the high water mark that is before parliament now.

Mr. MACKENZIE: You cannot have it both ways.

The CHAIRMAN: The hon. member for Lake Centre has answered the question of the Minister of Veterans Affairs. May I remind hon. members of the committee that a discussion of the powers of some other board is not relevant to the discussion here. We do not know what powers are given to other boards. The committee is considering the regulations as set forth in section 35. I would ask all hon. members to make their discussion strictly relevant to this section.

Mr. DIEFENBAKER: Mr. Chairman, I am trying hard to keep on the track, but my hon. friend is endeavouring to get me away from my argument. Where was parliament asked before, under the marketing act referred to by my hon. friend or anywhere else, to give to a board the power to say that no matter what is in a statute it can be changed by the board? Never before was parliament asked, first to define what a resident means, and then to give a board the power, indicated by (d) of section 35:

(d) prescribing that persons who would otherwise be residents shall be deemed to be non-residents.

Can you understand that? I have heard that parliament is all-powerful, that it can do everything but make a man a woman; yet here parliament is to give to a board the power to declare a non-resident a resident, or a resident a non-resident. That is what this section says. It places in the hands of the board, untrammelled and uncontrolled, the right to determine as between individuals and to discriminate in favour of one at the expense of the other.

You may say: If there are safeguards, then what is the harm? If we pass this section in its present form, what is the right? Is there a right of appeal? Can a person aggrieved secure his rights by showing that the board has gone beyond its powers? No, not under this legislation. There is no appeal; there is no control against the rulings made under this section.

Mr. ABBOTT: There is an appeal under section 37.

Mr. DIEFENBAKER: Oh, yes, an appeal, but to the minister—from the hired man to the boss. That is the very thing that has been asked for in the United Kingdom from 1932 on, from the time a report was made to parliament in that regard.

[Mr. Mackenzie.]

Mr. MACKENZIE: There was no appeal under the marketing act.

Mr. DIEFENBAKER: Apparently the only act my hon. friend has ever heard about is the marketing act. I have that act here, and I will deal with it if you will permit me, Mr. Chairman.

The CHAIRMAN: The only way it could be dealt with would be to show that the regulations under that act were exactly the same as the regulations under this act. I did not interrupt the hon. member for Lake Centre when he was answering the question; it was only after he had answered it that I drew the attention of the committee to the fact that we are dealing with the powers of the board under his bill.

Mr. BRACKEN: Why did you not stop the minister?

The CHAIRMAN: I thought it was only fair to allow the hon. member for Lake Centre to answer.

Mr. DIEFENBAKER: Unfortunately I have not got to the answer yet; when I start to give the answer, my hon. friend does not want it. I have the act before me, and the powers of that board were strictly limited to the provisions of the Natural Products Marketing Act. This bill does not limit the powers of the board to make regulations within the act; it gives power to the board to make regulations outside the act, beyond the act, in spite of the act, and contrary to the act. Those are the material differences between the two pieces of legislation.

My hon. friend says: Oh yes, there is an appeal; and he refers me to section 37. Yes, there is an appeal to the minister from decisions made by a board appointed on the recommendation of the minister to carry out an act administered by the minister. In other words, except for the appeal on the question of the amount in dispute under section 38, however arbitrarily the board may act, however unjustifiably or tyrannically its inspectors may act it is futile to go to court against them because the board will be fortified by a defence that has never before been incorporated in a Canadian statute in a time of peace. I do not understand this section 54 to which my hon. friend referred the other night. I am showing what the powers of the board will be. Suppose I am interfered with unfairly, that my rights are infringed, my privileges destroyed, and I appeal to the minister. Well, he will say, what can I do? Change the order? Would he do that, he himself having appointed the board or being responsible for it?

peace time, to grant to a board power to say that no matter what is in a statute passed by this parliament, notwithstanding anything to the contrary contained elsewhere in this act where we provide for certain prohibitions and exemptions, for privileges, for the commission of offences and infractions, the board can come along and say to one man, "You do not come under it", but to another man, "You do". Parliament is asked to place in the hands of a board the power to discriminate against one class of business, or between one class and another or one individual and another. In other words no matter what the law of this land is, and regardless of what parliament says the law is under the statute, the board is placed above the law and may by regulation remake any part of the law to suit its purposes, its whims and its caprices.

My hon. friend said this was a Liberal speech. Mr. Chairman, parliament has a responsibility; that is why I make this appeal with respect to the section we are now considering. What do we do? We make a board set up by parliament the absolute judge of who shall be the beneficiary of its benevolence and who shall be the victim of its arbitrary discrimination. Where, in any parliament, should any board ask for power such as that? Can there be any argument that when a board has the power and right to discriminate as between individuals, to grant preference to one citizen as against another, the subjection of all persons to the law in equality disappears and arbitrary power is substituted for equality before the law?

At one o'clock the committee took recess.

The committee resumed at three o'clock.

Mr. DIEFENBAKER: Mr. Chairman, before the recess I was dealing with the effect of section 35, subsections (d) and (e), and I had pointed to the absolute power that would be placed in the hands of the board under this bill as it now stands. It was suggested this morning that under this legislation, in effect, a socialistic viewpoint had been arrived at by the government, having regard to what has been done since the Prime Minister left. From the legislation that has been introduced in the house it is apparent that the government is on the socialist side, and when I say that I refer to this legislation.

The United Kingdom has similar legislation, but I would point out that the Attlee government, which is desirous of introducing socialism, has not given the power to any board to make such regulations as are set out in section 35, free and uncontrolled by parliament. My hon. friend will say that a sop has been thrown to parliament by sections 2 and 3. All that sections 2 and 3 do is this: After the board is empowered to act as it chooses, to interpret the law as it may, any regulation that is passed shall be laid before parliament within fifteen days after it has met, and is effective only when approved by the governor in council. These are not sufficient safeguards. It still remains within the power of the board to go contrary to the law as set forth in the bill. This is something I cannot understand. It defines what resident is.

Mr. MACKENZIE: Has my hon. friend read the provisions of the Natural Products Marketing Act passed by the Bennett government?

Mr. DIEFENBAKER: I have heard that repeated and repeated. I have read it. One of its greatest opponents was my hon. friend.

Mr. MACKENZIE: No.

Mr. DIEFENBAKER: No? He just voted against it, that is all.

Mr. MACKENZIE: Spoke against it for four weeks in this house and voted against it.

Mr. DIEFENBAKER: That is what I am saying; he spoke against it.

Mr. MACKENZIE: It was the most vicious act ever introduced in this parliament. Talk about regulations and regimentation!

Mr. DIEFENBAKER: The only justification my hon. friend now advances as a member of the government is that what was wrong under one act—

Mr. MACKENZIE: Was it wrong?

Mr. DIEFENBAKER: According to my hon. friend.

Mr. MACKENZIE: According to my hon. friend, was it wrong?

Mr. DIEFENBAKER: That marketing legislation would have been advantageous to this country, but the government of which my hon. friend is a member took it before the courts, appointed lawyers for the purpose of saying to the courts that the legislation was not within the power of parliament, and had it declared ultra vires of this parliament.

Mr. MACKENZIE: I am sorry to interrupt; I have great appreciation and admiration for my hon. friend. Will my hon. friend not concede that the powers and regulations and regimentation and evasion of the supreme authority of parliament under that act were the most atrocious in the history of Canada?

knows, but will not tell, which of its two officials was responsible for the destruction of shoes.

Mr. ABBOTT: I want to take exception to that. I do not know what was in the Montreal *Star* last night, because I have not seen it; but I can say now that the Department of National Defence was not responsible for this alleged condition, and has not refused to name any of its officials. I am prepared to make a full statement on this shoe business, but there is nothing in it. I shall make the statement at the appropriate time. This is not the time.

The CHAIRMAN: Order. The committee is considering section 35, "Powers of the board to make regulations". I think the discussion should be related to the powers of the particular board concerned and not to boards generally.

Mr. DIEFENBAKER: With the greatest deference, I have no argument with that; but I have heard discussions going on around me in which I have not participated. A very wide range has been covered. This section dealing with powers of the board is very wide, and I thought that I would deal with all these matters at one time instead of rising regularly on this matter.

Mr. MUTCH: There is something to be said for that.

Mr. DIEFENBAKER: What does the parliamentary assistant say?

Mr. MUTCH: Thanks for the promotion.

Mr. DIEFENBAKER: May I return to the section in question? In the last few months parliament has regained some of its powers. It did so last fall, as the result of a great deal of opposition on the part of the official opposition, and public opinion which was created at the time that many of the boards were asking for powers under the National Emergency Transitional Powers Act.

Some hon. MEMBERS: Order.

Mr. DIEFENBAKER: Well, Mr. Chairman, some make their contribution by raucous interruption. I am trying to make an intelligent contribution to the question of the abdication of parliament.

An hon. MEMBER: It is not on the section.

Mr. DIEFENBAKER: I venture the opinion that my hon. friend has never even read the section, much less the act; yet he interrupts regularly. Under this section this board will regain, and it is apparently endeavouring to regain in what is asked for here, many of the powers that these controllers and board members lost last fall, and which they are anxious to recover. I think the time has come for parliament, as far as this and succeeding sections are concerned, to call a halt once and for all to this wartime trend of making boards and controllers all-powerful; for unless it is stopped, it becomes a permanent institution.

Mr. MUTCH: That is a good Liberal speech.

Mr. DIEFENBAKER: Well, I think it was the hon. member for Stanstead who said earlier to-day that Liberal speeches are no longer expected from the other side of the house.

Mr. MUTCH: There are still a few of us left.

Mr. DIEFENBAKER: I am glad to have my hon. friend's support in this regard, and he will have an opportunity of voting on behalf of good Liberal principles when I introduce the amendment I intend to move in a moment. In this section parliament is asked to abdicate its legislative power and hand it over to this board. Let me refer to the provisions. What are the powers parliament is asked to give under this section? As to subsections (a), (b) and (c) there can be no argument at all, because they cover regulations in matters of routine, and as such are necessary to the proper operation of any statute. Now we come to subsection (d) of section 35. This gives the board power to make regulations prescribing that persons who otherwise would be residents shall be deemed to be non-residents, or that persons who otherwise would be non-residents shall be deemed to be residents for any of the purposes of this act. What a power! We are going to define what a resident is and what a non-resident is; we have done so in the first portion of the act. Now a board is going to be able to determine by regulation that a person who is a resident under the act is a non-resident under a regulation. I think it was the hon. member for Vancouver-Burrard who said this is indeed the top; this is the apex of the grasp for power. This section gives the board power to determine when you are liable and when you are not, irrespective of the wording of the statute; but the board is not satisfied with that power. It is not enough to be able to make a resident into a non-resident or a non-resident into a resident by a simple regulation. They go on with subsection (e). I can find no other case in which parliament has ever been asked, in

security. He showed how often that was the pretence under which boards received powers unexampled in the history of the country.

Under this bill we are asked to perpetuate in time of peace the powers of boards in time of war. It was most significant that when the hon. member for Muskoka-Ontario endeavoured to limit the period there was opposition by the government. I can see no great danger in limitation unless this kind of control is to become part and parcel of the peacetime life in Canada. Why should it not have been limited to a reasonable period and then continued by parliament? But not so. When I see some of the recent trends so far as boards are concerned I agree with the hon. member for Stanstead that if the government does not intend to bring in socialism it is doing its best to lay the foundation and the framework for that purpose. I am sure hon. members on the other side of the house do not want to see that; certainly some of them do not.

When I look at the powers contained in section 35 I ask myself, what is the limit of the empowering of boards going to be? When this bill is passed we shall have a statute. Will anybody know what the law is then? In regard to many of the statutes passed by parliament to-day no one is able to advise on the law because power to make regulations, over and above the actual written word of the statutes, is placed in boards. Some will say to me: No, that cannot be; regulations have to be within the power of the legislation passed by parliament. That is not so. This is the first time that a government has asked parliament to set up a board to pass regulations contrary to a statute, ratifying them in advance. I admit that regulations are necessary in order to make matters of routine in a statute workable. Can any hon. member say that the making of regulations contrary to the provisions of a statute has any justification? I point out that that is being done under paragraph (e) of subsection 1 of section 35, which reads as follows:

> Notwithstanding anything to the contrary contained elsewhere in this act, exempting any person or any class of persons or any transaction or class of transactions from any provision of this act;

Mr. ABBOTT: That is a relieving measure, of course.

Mr. DIEFENBAKER: Oh, yes; no matter what parliament has said shall be the law, the board has the power, as my hon. friend says, to relieve any person in Canada whom it may choose to single out for its benefits, to relieve him or to single out an individual for its discrimination. It has the power to exempt any person from the application of this bill.

What about boards? I do not know whether my hon. friends on the other side of the house know—I am sure they do—that to-day the common man is beginning to realize that there cannot be justice and equality under a system of boards controlling the country.

Mr. MACKENZIE: Marketing controls.

Mr. DIEFENBAKER: I shall give you a few examples in the last few months. Take the War Assets Corporation. A big investigation took place in Montreal to ascertain where all the shoes came from which were destroyed. War Assets Corporation investigated the matter and concluded that it was no officer of theirs who gave the orders. The Department of National Defence conducted an investigation.

Mr. ABBOTT: A thorough one, I may say.

Mr. DIEFENBAKER: They have the information to-day as to who was responsible. Does my hon. friend, as Minister of National Defence, deny that? I do not get an answer to that question, because—

Mr. ABBOTT: The answer is yes. The Minister of Reconstruction two or three weeks ago gave the press gallery the name of the person to whom the shipment of shoes was sold as scrap. He showed it to me; it was given to the gallery.

Mr. DIEFENBAKER: Well—

Mr. ABBOTT: I have no objection to giving it.

Mr. DIEFENBAKER: Let me read from the Montreal *Star* of August 8.

Mr. ABBOTT: I do not want to interrupt my hon. friend, but I shall be delighted to discuss this matter of mutilated shoes or waste of assets at the appropriate time, but not under the foreign exchange control board, please. I can have my full data here. I have information. I had my personal assistant make an investigation into this matter some time ago. We have the whole picture, but this is not the time to discuss it.

Mr. DIEFENBAKER: I am giving an example of what these boards do. The heading of the section is "Powers of boards". At the moment I am dealing in general with the question of powers of boards, to indicate that parliament is being asked in this case to abdicate rights that it ought not to abdicate. According to the latest issue of the Montreal *Star,* the Department of National Defence

spite of the plausible and able argument made by my good friend the member for Stanstead I am afraid he lives in a world that is different from the one in which I live. I agree with the minister that, the world being in the economic state in which it is, legislation such as this is necessary, at least for the present. However, section 33 is far-reaching in its subsections. You cannot release or fail to take reasonable steps to acquire or recover from a non-resident any property or any right, title or interest in or to any property to which the resident is or may be entitled. A man whose father died in the United States might be entitled to a share in the estate the deceased left. He might wish to assign his interest to his mother, which is a very reasonable and proper thing for a son to do, but he would not be able to do that unless he obtained a permit. According to the next paragraph you cannot grant an unreasonable extension of time for payment of any debt owing by or any claim upon a non-resident, or fail to take reasonable steps to collect any such debt or to prosecute any such claim. If he does not wish to spend the money to go to court for the reason that the debtor may be insolvent or on the eve of insolvency, he cannot refrain from taking steps to collect the debt unless he has a permit. The question I wish to ask is this. What formality will be required in order to obtain a permit? Where will one be able to obtain it? Do we write to Ottawa, or go to the banker as at present in connection with small remittances? I suggest to the minister that full publicity should be given this new law. We should know what steps the government is taking to publicize it so that Canadians will know about it and not be guilty of infractions.

Mr. ABBOTT: On the first question, the bank manager who ordinarily acts as agent for the board in ordinary transactions would not have authority to grant a permit for a transaction such as my hon. friend has referred to. Application would have to be made to the board. The usual practice would be to write direct to the board at Ottawa, or any bank manager would forward the letter, if desired, asking for permission. In a case such as my hon. friend cited, an estate, where the son wanted to assign his interest to his mother, if the circumstances were normal I am sure permission would be granted.

Mr. JAENICKE: Would an affidavit be required?

[Mr. Jaenicke.]

Mr. ABBOTT: I should not think so. When I was doing some practice I found that all that was needed in most cases was a letter setting out the circumstances.

Mr. JAENICKE: How would the department determine whether the statement contained in the letter from the applicant was true?

Mr. ABBOTT: If it appeared on its face to be plausible and reasonable it would be taken at its face value and accepted as true. If there were in it anything which aroused suspicion, I suppose the board might ask for further verification. I realize that this is only administration, but my experience with the operation of the board was that they were very flexible. There was no question of rules of evidence or affidavits, and every effort was made to facilitate the smooth and easy disposition of applications.

Mr. HACKETT: Where a substantial amount was involved, definite proof was expected.

Mr. ABBOTT: I agree that if there were large amounts involved, obviously it would not be proper to accept a simple letter. One might want an audited statement, a certificate from a banker or something of that sort, but nothing that would involve out-of-the-way expense or research on the part of the applicant.

Section agreed to.

Section 34 agreed to.

On section 35—Board may make regulations.

Mr. DIEFENBAKER: I have not had anything to say in reference to this bill, but I have sat here and listened to the arguments advanced by the Acting Minister of Finance, and may I thank him at this point for having postponed consideration of section 28, subsection 2, dealing with the question of regulations, until consideration should take place of section 35. I have listened to the arguments advanced from the time the member for Muskoka-Ontario made his opening address, pointing out some of the dangers of this legislation, and as I view it, the greater the consideration that has been given to this bill the more significant becomes the cogency of that hon. gentleman's argument.

The hon. member for Muskoka-Ontario was followed by the hon. member for St. John-Albert, who spoke against the tendency which was developed during the period of the war of placing controls in the hands of boards and always under the guise of necessity or of

should go to the board for a permit to obey the ordinary dictates of human kindness, let hon. members tell that constituent and their constituents generally—

An hon. MEMBER: We will tell them you are wasting the time of the house.

Mr. FLEMING: —that the board, under that section, can make an interpretation against him, and that individual, if he is haled into court by the board, goes in with the obligation of satisfying the burden of proof, and in the second place is liable, under section 60, subsection 2, to a fine of $2,000 and twelve months' imprisonment, and let them tell their constituents that that is the kind of legislation that they are supporting in this house.

Mr. MACKENZIE: Don't you worry. We have been here a longer time than you have.

Mr. HATFIELD: If I employ a broker to sell goods for me in the United States, does the foreign exchange control board tell me what is a fair commission?

Mr. ABBOTT: I suppose that is governed by the custom of the trade, is it not? I imagine there is a standard commission for most commodities.

Mr. HARKNESS: Leaving out of consideration the desirability or otherwise of foreign exchange control, it seems to me that the essential question at issue here is whether that section is necessary to enable foreign exchange control to work satisfactorily. My contention is that it is not necessary to do that, that it is entirely unnecessary, that it is just an extra red-tape annoyance and nuisance. The minister has not produced this morning any good and valid reasons why this particular section is necessary to the successful carrying on of foreign exchange control. Neither did Mr. Rasminsky, the expert, produce before the committee any good reasons for it. The only reason which was produced was that it would enable the board to prevent any citizen of this country from building up a foreign credit abroad and would force him to have the payment for his services, which if this section were not there he might keep in some foreign country, brought into Canada. The argument does not mean anything, because section 29, which we have already passed, gives the board power to force any resident of the country to bring into Canada any credit which he may have. Section 29 says:

> Every resident who possesses, owns or controls any securities which, or the certificates or instruments representing which, are physically located outside of Canada, shall, if so required by the board, cause the said securities, certificates or instruments to be brought into Canada.

With the board having that power, there is no reason, from the point of view of making foreign exchange control a success, to retain section 32. On the contrary,—

Some hon. MEMBERS: Carried.

Mr. MACKENZIE: Filibuster.

Mr. HARKNESS: —it is very likely to prevent certain credits, which might be of very considerable value, particularly credits in the United States, from being built up in this country, because of the nuisance involved in doing so. As my amendment to delete this clause is ruled out of order I should like to have a vote on it.

Mr. MERRITT: Sitting here listening to the discussion, it occurs to me that we have reached new heights in controls, because under this section you have to get a permit not to deal in foreign exchange, and therefore you have to get a permit in this country now to do nothing.

Mr. MACKENZIE: That does not apply to the Tory party. It needs no permit.

Mr. CRUICKSHANK: It is hard on the opposition.

Mr. HAZEN: How does the minister propose to enforce a law of this kind? If I see fit to render service to a friend of mine living outside the country and not to charge him for it, or if I see fit to do some work for somebody living outside the country and I say to him, "You don't have to pay me for twelve months or until some later date when I send you a bill, a year or two from now", how will you prevent me from doing that? Are you not passing a law that will be wholly inoperative? How will you prevent me from doing these things if I want to do them? What is the good of having a law if you cannot enforce it?

Mr. ABBOTT: The answer is simple. Admittedly it would be difficult to enforce it in some cases, but we assume that the majority of law-abiding citizens will obey the law.

Section agreed to on division: Yeas, 30; nays, 24.

On section 33—Other transactions between residents and non-residents.

Mr. JAENICKE: I should like to ask three questions of the minister in connection with this clause and, I believe they will refer to any other sections which require a permit. First of all I might say that in

But that is not all. We go a little further, and see, in the seventh place, that it is left to the foreign exchange control board to decide whether the undertaking has been to perform these services at less than the fair value of the services. Who is to determine the fair value of the services rendered by anybody within the wide scope of section 2, subsection 1(w)? The foreign exchange control board.

An hon. MEMBER: That is too bad.

Mr. FLEMING: And, number eight: payment must be "in a currency designated by the board as acceptable for such a transaction", and that, again, is for the decision of the board. It is obvious that an individual who has performed or entered into any kind of transaction just hasn't a chance. It is not a case of coming before a court; it is a case of having his transaction reviewed in all these respects by a board, the foreign exchange control board, whose decision in practically every respect is final.

An hon. MEMBER: Too bad.

Mr. FLEMING: Let us take a simple transaction to test the sense, if any, in a section of this kind. Suppose I have a friend in Scotland who writes to me and says, "Will you do such and such a service for me? I am pretty hard up right now; I don't know when I can pay you. You will just have to take that chance. I will pay you when I get the money, but I haven't it now and I don't know when I will have it." When I perform that service, it being a service ordinarily performed for remuneration, I cannot say to my friend in Scotland, "Don't worry; pay me whenever you like", without a permit from the foreign exchange control board.

An hon. MEMBER: Quite right.

Mr. FLEMING: I cannot say to him, "Don't worry; pay me any time," without a permit.

An hon. MEMBER: You are a man after my own heart.

Mr. FLEMING: Or suppose I have a relative in France who writes to me and says, "Here is a service I should like you to perform." My relative in France has undergone hardships during the war, and I say, "I am not going to charge that relative of mine according to the full tariff", so I write and tell him, "Here is my bill for services performed; actually it is about one-third of what would be ordinarily charged."

Mr. ABBOTT: You would not ordinarily charge your relatives, would you? They would be excepted from the act.

Mr. FLEMING: That is not an exception from this section. I could not in any cases of necessity or other circumstances, submit to a friend or relative anything less than the normal tariff charge without a permit from the board. If I did I would be committing an offence under this measure, and the board could put an inspector in and examine that whole transaction.

Mr. ABBOTT: We shall be coming to that to-morrow.

Mr. FLEMING: They could go through my books, examine me, put me under oath, as provided for under section 41. And that is not all. Suppose, as in the case I cited of a friend in Scotland, I told him that he could pay me whenever he likes or whenever he is able, and they are going to prosecute me, you will see under section 58 that the burden of proof is on me.

An hon. MEMBER: I would say it is a good idea.

Mr. FLEMING: Look at this section:

> 58. (1) Where any person is charged with an offence under this act, if it is established in proof of the offence that the said person did any act or omission for which a permit is required under this act, it shall not be necessary to establish in proof of the offence that the person charged did not possess a permit or had not been exempted from the applicable provisions of this act, and the burden of proof that he possessed the necessary permit or had been exempted from the applicable provisions of the act shall be upon the person charged.

I go into the court with another strike against me. The burden of proof is on me to show that my case is one which under the terms of the act is an exemptable case.

That is not all. Look at section 60, subsection 2, and observe what follows in respect of penalties:

> (2) Every person guilty of an offence under this act for which no penalty is provided under subsection one of this section—

Subsection (1) relates to property.

> —shall be liable, on summary conviction under part XV of the criminal code, to a fine not exceeding two thousand dollars or to imprisonment for a term not exceeding twelve months or to both such fine and such imprisonment.

An hon. MEMBER: Is that section 32?

Mr. FLEMING: Section 60, subsection 2. Will hon. members opposite restrain their mirth long enough to ask themselves this simple question. If a constituent of theirs so allows his judgment to be guided by the dictates of human kindness that, for the sake of assisting a friend in Scotland who has lost much during the war, he tells him, "You do not need to worry about paying me now; pay me whenever you like," and either does not know that he is committing an offence under the act or does not see any reason why he

that provide for payment within six months", and so forth. You need no permit if you comply with that.

Mr. MACDONNELL (Muskoka-Ontario): I ask the minister whether he considers that clause, interpreted as he likes, necessary for the protection of the Canadian dollar.

Mr. ABBOTT: Yes, I do. Take my own case. When I was a practising lawyer, if I did a job for a client in New York and sent him a bill in United States dollars and it was payable in six months I did not have to consult the foreign exchange control board at all. I got a cheque in United States dollars and it went into the bank. If I were to give my client twelve months to pay, or wanted to be paid in Brazilian currency, I suppose I should have to get a permit.

Mr. MACDONNELL (Muskoka-Ontario): If it was not paid within six months. Does the minister consider the difference between six months and six months and a day so important as to justify this provision?

Mr. ABBOTT: The same term applies to the sale of merchandise. I used the example of a bill submitted by a lawyer. My bill is payable on demand and in United States dollars; and if I sent the bill to my client in New York with a polite request for a remittance, I would not have to go near the foreign exchange control board at all.

Mr. MACDONNELL (Muskoka-Ontario): The minister will agree that lawyers very often do not get paid within six months, in which event does the minister think—

Mr. ABBOTT: My bill must not give a longer term of payment than six months. If my client is not able to pay me within six months, that is my misfortune. But I cannot without a permit give him a term of twelve or sixteen or eighteen months within which to pay.

Mr. CRUICKSHANK: Mr. Chairman, I wonder if I would be in order under this section in referring to the arrest of a director of Fresnore Mines Limited in Toronto in the company's office on Temperance street, on a charge of receiving $100,000 under false pretences in 1945-46?

Mr. ABBOTT: I do not think that has anything to do with the exchange control board. It is another type of control.

Mr. FLEMING: I cannot yet persuade myself that certain hon. members opposite can meekly submit to being parties to this kind of legislation. Let me reduce it to its simplest terms.

I suggest that this section has inherent in it this vice, that it puts power into the hands of the foreign exchange control board to make its own interpretations of the statute itself. Just what is involved in a decision of the foreign exchange control board under this section?

I say that there are at least eight places in this section where the foreign exchange control board may make a determination. In the first place, it may determine whether the individual in question is a resident or not. That is not unusual; it is being done in many cases. In the second place, the board may determine whether the resident has performed an obligation. That is the exercise surely of judicial functions, but this section purports to give the board that right. In the third place, it gives the board power to determine whether there has been on the part of a resident of Canada an agreement to perform a service. Fourth, the board has to determine whether the service is to be performed or has been performed for a non-resident. Fifth, the board has to determine whether a service has been performed, and if anybody thinks that is a simple determination let him examine the provisions of paragraph (w) of section 2 of this bill and see what the services are. I quote:

> (w) "services" include skilled and unskilled labour, professional services, services as an agent or employee, storage and warehousing, freight, transportation, advertising, services to vessels and any other services whether payment for such services is ordinarily made in the form of wages, salaries, fees, rents, royalties, commissions, profit-sharing, or by payment of a lump sum or otherwise howsoever;

An hon. MEMBER: Carried.

Mr. FLEMING: Some hon. members opposite may derive a certain amount of mirth from this, but I think, when it comes down to persons in their constituencies whose transactions are to be brought under review by the foreign exchange control board—

An hon. MEMBER: We will take a chance on that.

Mr. FLEMING: —they will take a somewhat different attitude.

An hon. MEMBER: We don't represent stockholders.

Mr. FLEMING: Then, number six: no resident shall perform for a non-resident any services of a kind ordinarily performed for remuneration. What kind? The foreign exchange control board, sitting in judgment, will decide whether the services in question are of a kind ordinarily performed for remuneration.

right away than continue to put up with what I have seen happening in this house, because we are sent here to represent the people. I come from a large commercial city which pays more taxes than any other city in the country and as much as several of the provinces. The business men expect me to look after their interests.

We are very shorthanded here. There is one vacancy; two hon. members are ill and one hon. member is not here. We have a fine representative in the hon. member for Davenport, who never misses a day. I represent Ashbridges bay where there are over a hundred new industries, coal and all these other things, and I am pestered to death when I go home. People telephone me to ask if I have seen the wartime prices and trade board and the foreign exchange control board about permits and I have to advise them whether they are residents or non-residents and how to go about it.

I do not know of anything that will cause more unemployment than this section, and there are hundreds out of work in our city at the present time. The business men are scared to death of being prosecuted in the police court under the bureaucratic system we have in this bill. Talk about hitlerism; we have hitlerism right now. Business men have a heavy task awaiting them in reconversion so that Canada may recover quickly. I would not want to be a business man to-day. I am sorry for business men, large and small, and for retail and wholesale dealers on our main streets. They are scared to death to do anything in export trade with non-residents for fear they will be summoned to the police court.

Is Canada going to recover any more quickly by having section 32 in this act which compels the taking out of a permit to do any business and requires a lawyer to tell you what a non-resident is, or value, or enchange rules, or a contract? I say no. Canada needs stability to speed the delivery of all classes of goods and meet market demands, so as to aid peacetime economy in employment, supply civilian needs and restore as soon as possible living standards, and defeat inflation and black markets. During the war we had a whole carload of people down in Washington to tell our business men what they had to do and what was the next step. We should get rid of these ham-stringing regulations so that business men can do business. Let us get rid of these irksome controls and remove the shackles from industry large and small. Give private enterprise a clear right of way unfettered by a small standing army of inspectors, examiners, supervisors, card-filing clerks of a worn-out system of control. The time has come to end this bureaucratic system by striking out this classe. Every other two pages of definitions have to be read into section 32. Business must have freedom once again to succeed by free enterprise. We should put an end to government controls by blueprints and a horde of useless officials, most of whom have never had any training in any competitive business which they seek to control.

The CHAIRMAN: Before the committee continues with this discussion may I remind hon. members that we are considering clause 32. I hesitate to rise to interrupt any hon. member when he is speaking to remind him of the clause before the committee. A good deal of the discussion this morning has been with regard to the principle of the bill and has not been directed strictly to the clause. I believe it is the wish of the committee that the clauses should be considered and that the discussion should be directed to the clause under consideration.

Mr. MACDONNELL (Muskoka-Ontario): I shall follow your instruction, Mr. Chairman. All I want to do is to read this clause, and I ask hon. members to listen to it—it is quite short; then I want to ask hon. members and the minister whether by any conceivable chance they can agree that this clause is necessary to what I admit is a legitimate aim of the bill. I have said frankly, and I say it again, that I would not want to take the responsibility of saying that there may not be an occasion on which some of these controls are temporarily necessary. What I plead for is a relaxation of the rigidity of the controls and for a limitation to be placed on its operation. The section reads, and I ask everyone to listen:

> No resident shall, except in accordance with a permit, perform or agree to perform, in Canada or elsewhere, for a non-resident any services of a kind ordinarily performed for remuneration otherwise than on terms that provide for payment within six months of not less than the fair value thereof in a currency designated by the board as acceptable for such a transaction.

As I understand that, it means that nobody in this country can do a job, however small, with anyone in the United States without having it approved. Who is going to approve it? Who is going to exercise the judgment?

Mr. ABBOTT: No permit is needed if he complies with the instructions in the latter part of the section, "otherwise than on terms

will be asked to declare who is a resident and who is a non-resident, what is the value, and so on. If I have to swallow that I want to know the reason why. We are sent here to find out who wrote this section 32. We should take section 32 and examine it word by word. Who is a resident? If you look up the interpretation on page 3 you will find that a non-resident is defined as a person other than a resident. Did you ever hear of such a play on words? A non-resident is any person other than a resident.

What is domicile? I should like to know who wrote section 32. I tried to find out in a respectful manner, but I could not. I know the two gentlemen sitting in front of the minister only for their reputation as good men and able officials. I have nothing to say about our expert staffs because they all did good work during the war. They represent in peace what I would call a bureaucratic staff. The minister and the deputy minister and all ministers are tied up to bureaucrats; they are bound and gagged. If this section is to pass we might just as well go home and let the experts in front of the minister decide the liberty of the subject under section 32 and everything we are talking about to-day.

Under section 32 you were going to have a permit from the bureaucrats. Every minister is getting a permit system. The minister of health has it. I asked him what could be done about certain permits and he said he would have to consult the provinces, if you please. It is getting so bad that the hon. member for New Westminster will have to consult the provinces in order to be able to play the bagpipes. Everybody has to get a permit. Soon we shall all have to have permits; we shall have to bow down and worship these bureaucrats. This is not real Liberalism. As I said the other day, there is no real Liberal on the government benches except the hon. member for Temiscouata. He is wearing the school tie and the mantle of Sir Wilfrid Laurier and his principles, and all the others should wear the school tie of real Liberalism. They may have to get permits from the bureaucrats to wear that tie.

The result of this will be that business men will have to appear in the Toronto police court before a lay or legal magistrate. Men who have never been in court before will be dragged before the magistrate and be charged by some representative of the bureaucrats under this section of lack of a permit or for dealings with a non-resident. They do not leave it to the crown attorney; they engage a lot of Liberal lawyers to appear in the police court and charge these men with not having a permit or not following this section. They are charged with not being residents, in dealing with non-residents, what is real value, what is remuneration, and other matters. I studied this bill from beginning to end last night; I read it three times, and I am surprised that I did not know about it before last night. The business men do not know all about it and I do not know what is going to happen when they do find out about section 32. Who is going to decide who is a resident and a non-resident in order that he may get a permit to do business? The business man will have to get his remuneration in cash or on the counter; he must have it within six months. How are you going to conduct business under those conditions?

There are other sections, but they are all related to this one. The chairman is a lawyer and he knows that you must read the marginal notes, the headlines and the interpretation section into every section. Into section 32 will be read four pages of the interpretation. When you get a permit you have to be paid in six months. What happens then? They go to work and they make every excise officer and every customs officer an officer of the board. Every Tom, Dick and Harry who boards the train at Hamilton bound for the border will be an agent. I do not know what American officers are doing on a train. The United States customs officers are there and the Canadian officers and they will be asking everybody to produce permits because they are officers of the board. There will be deputies all over the country of the bureaucrats who are running this country.

I want to pay a tribute to the civil service, because there are good men there. We have a fine civil service. Some of the men attached to the foreign exchange control board have been in the civil service a long time, and they are not to blame for the mistakes of the administration. However, none of the bureaucrats have had very much training in practical business, or they would not have written in section 32. How in the world can you conduct a retail or wholesale business with this horde of inspectors who under this bill will be inspecting you to death? There will be all the red tape, there will be all these regulations, there will be an army of officials, miles of restrictions, gallons of official red ink and an army of clerks and stenographers. How is any man going to conduct business? I do not know.

We shall have to change our ways. The House of Commons might as well be abolished because we are virtually signing the death knell of parliamentary and responsible government in this country by such acts as these of bureaucratic control. I would rather resign

May I say at the outset that no one regrets more than I do or more than the government does the necessity of having to continue foreign exchange control. My hon. friend has said that now the war is over we should be able at once to dispense with all these devices. Well, it is true that the fighting has ceased, but if any man looks around the world to-day and says that economic war has ceased, or that we are in a stable, ordered condition, I say that is a serious reflection upon his intelligence. I say that as far as economic conditions are concerned we are just as much in need of protection for our foreign exchange resources as at any time during the war.

The hon. gentleman has said that this is an attempt to shackle trade, and what we should do is assist trade. I turn that around and say the sole purpose of this measure is to see that we shall have adequate foreign exchange resources to assist trade, and not shackle it. Let me assure this committee that as a member of the government nothing would please me more than to be able to get rid of control and be able to operate under the old law of supply and demand; but if anyone will tell me that with conditions as they exist to-day any country would be able to carry on under those conditions, all I can say is that the person making that suggestion is not aware of modern economic conditions.

My hon. friend speaks of preserving good relations with the United States. No one is more anxious than I that this be done; as a matter of fact my grandfather came from the United States. But surely we must face the situation as it is. We have to deal with the matter of exports to and imports from the United States; and to-day our imports from that country are at an all-time high. This is not an attempt to restrict trade between the two countries; it is just the reverse. This is a measure intended to assist trade.

My hon. friend asked why we were taking these measures to separate the two countries. Well, the answer is simple: we are a separate country, with a separate currency. If we were part of the United States, of course we would not be faced with all these difficulties; we would all have the same currency. But on balance we are a debtor nation, and to a very considerable extent. If we are to retain our national integrity and the integrity of our dollar, we have to adopt appropriate measures to see that our exchange position is protected. That is the purpose of this measure. It worked effectively during the war, and has worked effectively since the war.

My hon. friend made a moving plea for importers and exporters, but I think if he took a poll of importers and exporters in this country he would find them pretty well satisfied with the way in which exchange control operated during the war. I think a little more attention should be paid, as I hope it will be paid, to some remarks made last evening by the hon. member for Charlotte, as to his experiences and the experiences of his neighbours and friends in connection with exchange under abnormal conditions, where one man was quoted one rate and another man another. Whatever may be the defects of the present system, and it may have some, at least everyone knows the situation with respect to foreign exchange, and everyone is quoted the same rate.

The last point my hon. friend made was that this is part of the C.C.F. platform. It is no such thing. Exchange control is in effect to-day in every modern country in the world with the exception of the United States. The reason it is not in force there is that the economic position of the United States is so strong and its holdings of gold are so high that the United States dollar is the strongest currency in the world, and everyone wants it. But everyone does not want Canadian dollars.

I repeat that the whole purpose of the measure is to provide for the efficient handling and conservation of our essential foreign exchange resources.

Mr. CHURCH: I wish to refer to section 32, and I do this because I come from a commercial city. I am very much surprised that a bill like this has been brought up in the dying days of the session. I feel a great deal of sympathy for the acting minister who has been placed in a position where he has to practically apologize to the house. He has performed a brilliant service during this session of parliament. He comes from a commercial area, the city of Montreal, as does the hon. member for Muskoka-Ontario. We are now in the ninety-ninth day of this session and here we have a bill that has never been before the banking and commerce committee.

Mr. ABBOTT: It was there for weeks.

Mr. CHURCH: It was in some respects. Who are the men who proposed this bill? Has the Department of Justice seen it?

The CHAIRMAN: I would ask the hon. member to relate his remarks strictly to section 32 and not speak generally on the bill. I think the committee would now like to have the bill discussed section by section.

Mr. CHURCH: I was about to make some remarks on section 32. Under this section every citizen of Toronto is likely to be dragged into the police court where a lay magistrate

Mr. ABBOTT: I have had no practice in that.

Mr. HACKETT: If there were some indication that this government intended to quit, intended to recede from the position it has taken, I am sure that there are many people in this group who would say we do not want to be unreasonable; but because we can see no hope, no intent, no wish, no willingness to get away from these shackles, we say and I say we are against it, we want the people to know where we stand and why. We have nothing to enable us to pass judgment upon the legislation which is submitted because nobody has given any reason for it other than that it is government policy.

Another question which was asked was, "Do you object to the Canadian dollar being at par?" I do not object to the Canadian dollar being at par, but I want the Canadian dollar to be where it should be in the judgment of people who know values and have learned values in the harsh school of buying and selling. The difficulty with the Canadian dollar to-day, if it is two or three cents below parity in the markets of New York, is not that the Canadian dollar is worth less than the United States dollar; it is that the people of the United States are fearful that somebody without responsibility will mark it up or down, will do something with it which cannot be foreseen. That is the weakness of the Canadian dollar to-day. The Canadian dollar and the Canadian people are sound. The weaknesses of the dollar arise from the tampering with it, from the legislation which places the foreigner at the discretion of people who are not in trade and whose experience is not in real values.

As I said yesterday, I do not wish any of the gentlemen whose duty it is to operate this foreign exchange control fund to feel that because I cannot agree with their philosophy and management I am criticizing them personally. I am willing to believe that they are sincere and that they are doing what they think is right; but the result is that we cannot perform the smallest act which is reflected in dollars and cents without seeking the let or hindrance of the government or some of its minions; that is not a desirable situation.

Last evening we were talking about exports. An amendment was introduced freeing farmers and fishermen from the obligation of getting a permit when exporting their produce monthly up to an amount of $100. The amendment failed. I tell you, Mr. Chairman, one thing that we are exporting very rapidly and at great cost—our youth, our young men and young women of vigour and hope, who find themselves denied an opportunity in this country. I shall read a letter which I received only yesterday from an involuntary exile:

> Bill has a very nice proposition awaiting him in—
>
> There is an American city named, which I need not read.
>
> He worked at it for six weeks, and he is now on leave of absence. We are looking over the Canadian scene, so far with a notable lack of success. The newspapers are howling about ten thousand-odd Canadians who have crossed into the United States since the war, but so far as we can see there are no jobs to be had in Canada, at least jobs that pay or offer a future. I hate leaving Canada in every respect, but am beginning to fear we have no alternative.

The spirit that has inspired this bill, Mr. Chairman, is a spirit which has denied opportunity to Canadian youth in many spheres. It is that spirit which has taken aviation out of the competitive realm and put it under the dominion government. It is the spirit which has made the C.B.C. an overlord, the same spirit that is crowding out private enterprise, stifling the private stations. It is the spirit which is preventing the young Canadian engineer, the young Canadian chemist, the young Canadian doctor from getting jobs in Canada, driving them away to the United States.

I regret most sincerely that we should be faced with legislation of this type, especially when there is no reason for it. If it could be justified; if there was anything that could be said in support of it other than that it is government policy, I am sure the people on this side of the house would be willing to listen. This entire policy of the bill is the policy of hon. gentlemen of the C.C.F. I do not begrudge them their views, but I do not sympathize with them and I cannot share them. Just why the government, the party opposite, should have adopted the programme of the C.C.F. is beyond the imagination of man to comprehend. I ask myself, where is the Liberal party? Where are the people who stood for private enterprise in other days? Where are the great advocates of Liberalism? It may be that we shall have to wait until this measure is taken to another forum, to another place, as it is called. It may be that in the senate there still lingers a flickering of the Liberal spirit which contributed so much to Canada's greatness.

Mr. ABBOTT: Mr. Chairman, I shall not attempt to rise to the heights of moving oratory displayed by the hon. member for Stanstead, because I am not capable of doing so. He raised two or three points, however, to which I want to make brief reference.

treaty of 1854, after some of the restrictions which had compelled us to trade with England and with no other country had been lifted.

Through the civil war we supplied materials to the United States and for the first time, with the exception of a few people who had been engaged in the fur trade, did we encounter some wealth and general prosperity in this country. Our relationship with the United States has been most intimate. We enacted restrictive regulations at the beginning of the war because we feared that much of the foreign capital that was here might take flight. We feared that citizens of the United States who had invested largely in the development of our resources, and who were deeply interested in the development of this country, thinking their capital in jeopardy, might take it home. That was when the United States was not an ally. Later the United States became an ally, a great ally, and we must admit that its support of the allied cause was one of the determining factors of the war. Those unhappy war days are over, and I ask the minister what reason there is now to restrict that flow of financial and commercial business between the two countries. These restrictions are not only prejudicial to our own people; they are unfair to those who have had great confidence in the development of Canada and who have supplied capital for its development.

In other days we have heard a great deal about the dangers to international amity resulting from high tariffs. It seems to me that these restrictions are far more dangerous than any peril that could have resulted from a tariff. After all, tariffs are enacted, rightly or wrongly, with the view of giving employment to the people at home. I must tell the minister that no one has been able to get at the real reason for the passing of this legislation and for the enforcement of the regulations which will be enacted under it now that the war is over.

In the banking and commerce committee we had the opportunity of questioning at some length two or three very agreeable gentlemen, but we never could get very far beyond the fact that it was government policy to do thus and so. We never could get the reason; we never could get anyone to say that hard-headed business men had found it was in the interests of this country so to manacle and shackle the trade of Canada. I am asking the minister—he has had experience in business; he knows a great deal about industry, commerce and banking—whether there is any underlying philosophy that justifies the country in embarking on an economic programme which is entirely at variance with that which we have followed up to now and that which has always prevailed on this continent.

In old lands where resources are exhausted and where people and weary from frequent and long wars resulting from rivalries and sometimes from hatreds which this continent has been spared, certain nationalistic tendencies have sprung up and developed. But on this North American continent there are still vast resources to be developed, and much depends upon our being able to get on with the job freely, without losing time in complying with meaningless formalities, there is real work in Canada for all, and the workers should not be burdened unnecessarily with the support of large numbers engaged in watching, spying and making records. I ask the minister why should we, the Canadian people, ninety per cent of whom live within two hundred miles of the international boundary, eighty per cent of whom live within a hundred miles of the international boundary, a boundary which it has been our pride to boast does not separate our peoples if it does delineate our respective territories—why should we attempt to segregate ourselves from the other people of this continent? What good purpose is to be served by it? These are questions which were asked in committee; these are questions to which we tried to get answers and nobody was able to give an answer.

Unfortunately matters dealt with in this bill appear to be remote to most Canadians, they appear to be shrouded in mystery. Nobody knows exactly why the bill should become law, and that seems to be taken as a reason for enacting it. I am confident that there is nobody in Canada who is not willing to put up with a great deal of inconvenience if it is for any useful purpose; but so far no one has explained, either to the banking and commerce committee or to this committee, why we should depart from the freedom which has characterized our relations with the United States for the last hundred and eighty years, and why we should depart from that programme unprovoked while in the United States there is still the tendency and willingness to treat us with absolute confidence and good will.

Last night when an hon. member was speaking some hon. members asked—and I think the minister was of the number—"Are you opposed to this bill?" I am opposed to it. It sometimes happens that one gets himself into a situation out of which he has to ease himself. Even tenants of houses of ill fame are entitled by law to a three day notice to quit.

agent here and wanted to pay him out of previously accumulated Canadian dollar assets, that is not permitted.

Mr. HATFIELD: Suppose a prospector wants to go down to New York and get somebody to back him, and the backer in New York has Canadian funds in Canada; can he pay him from those Canadian funds or must he pay him in United States funds?

Mr. ABBOTT: Well, these are hypothetical cases. That would sound like a new investment in Canada, and in those circumstances under existing regulations and practice the United States citizen could send in his United States dollars, convert them into Canadian and pay the prospector.

Mr. COCKERAM: Can he get them out again?

Mr. JAENICKE: I was wondering whether the minister could see his way clear to change the period of time from six months to a year. I am personally interested in this matter, having some clients in the United States who have considerable farming interests in this country and, because the crop is not always marketed at once but over a period of twelve months, accounts are usually not rendered until after a year, only once a year. It would occasion inconvenience to these people if they had to do it within six months.

Mr. ABBOTT: The six months period is the period which is applied with respect to goods, and it is considered the normal period for payment. Provided payment was to be made within that period there would be no necessity to approach the board in connection with it. I am advised that if there is good reason for a longer period being ordinarily required, say twelve months or eighteen months, permission is readily granted.

Mr. JAENICKE: Where is the authority in the act that the board has the right to grant that permission?

Mr. ABBOTT: It is under the phrase "except in accordance with a permit." The permit could make the period twelve, eighteen or twenty-four months. But provided it is within six months there is no necessity for a permit.

Mr. McLURE: There are in the maritime provinces a number of agents or representatives of American firms. These American firms send their American money down to the provinces, appoint an agent to buy goods for them, in Canadian funds of course, and the goods are shipped. Does this bill preclude that agent from being paid because he will have to be paid in Canadian funds?

Mr. ABBOTT: Not at all. The hon. member for Queens asked a question last night about the free port of New York, and I should like to get rid of that point now. I was not quite clear whether the question was directed to the method by which the foreign exchange control board ensures that the foreign exchange proceeds of the sale of goods are returned when received by the exporter, or whether he was concerned with the credit risk which the exporter might assume in making shipments in that manner. So far as the foreign exchange proceeds are concerned, that procedure is the same as for other exports. At the time the goods leave Canada the exporter declares the approximate amount and currency of the payment to be received and the board looks to the exporter to sell funds to his bank at the time of receipt. So far as the credit risk is concerned, that is a matter between the exporter and his customers. I am informed that no cases have come to the board's attention of difficulties in connection with exports to the New York free port either from the board's or from the exporter's point of view.

Mr. HACKETT: Will the minister state to what extent the provisions of section 32 apply to countries other than the United States? I am speaking in terms of volume of controlled dollars.

Mr. ABBOTT: It applies generally to all countries. The purpose of the section under existing conditions is frankly to conserve the supply of United States dollars, and so far as the sterling area is concerned, by administrative practice and regulation, services may be performed for non-residents in those areas for payment in sterling or Canadian dollars or may be performed gratuitously. The real restriction for the time being is on areas where United States dollars are the currency.

Mr. HACKETT: That being the case, and the restriction having its practical application almost exclusively to American dollars, I ask the minister what is the purpose of the enactment. We have lived beside the United States for nearly two hundred years. We have lived with the United States in unbroken peace for nearly a hundred and fifty years. Our relationship has been one of the greatest amity and confidence. Why therefore should we at this time attempt to control the financial and business relationships which exist between these two countries? For generations we have depended upon our trade with that country. The first blush of prosperity that coloured the drab financial complexion of this country grew out of our trade relationship with the United States following Lord Elgin's trade

Section 31 agreed to.

On section 32—Services.

Mr. HARKNESS: This whole bill is an example of bureaucracy in full force and power, bureaucracy being most careful to stretch as much red tape as it possibly can around all exchange regulations and transactions. The persons who drew up this bill, as far as I can see, were so insistent on stopping up all holes through which any capital might get out of the country that they have carried it to the extent of stopping up a lot which exists purely in their own minds; and this clause is an example of it. It prevents anyone in this country from performing any services for a person in another country. The result of it is that if you have a friend or relative in a foreign country you are not permitted to sell any real estate for him, or to buy real estate, or perform any service of the kind without getting a permit from the board. Of course quite a number of services of this kind people frequently wish to perform without any remuneration; but in any case under this section you must not receive remuneration for a service.

When the matter was being discussed in the committee I asked an expert witness if there was any real reason or necessity for this clause, and the only answer I could get from him was that it was put there in order to prevent a resident of Canada from building up a credit abroad. That is no reason at all. Under another section of the act, any credit which any resident of this country builds up or secures abroad, through a sale of goods or in any other way, the board can force him to bring back to Canada. In view of the fact that the board has that power of compelling the Canadian resident to bring into Canada any securities or credits he may have in a foreign country, I can see no necessity for this clause. It is just a piece of useless red tape which further complicates the matter and makes it a nuisance. Therefore I move that the bill be amended by deleting clause 32.

Mr. MacINNIS: Will the minister, for the benefit of those of us who were not on the banking and commerce committee, explain this section?

Mr. ABBOTT: Yes. I thought perhaps the amendment would be put and then I would answer my hon. friend.

The CHAIRMAN: With regard to the amendment moved by the hon. member for Calgary East, that the bill be amended by deleting clause 32, that clause would be automatically deleted if it were defeated on the vote. The question on this particular clause will be: Does clause 38 carry? If the clause does not carry, it is automatically deleted; accordingly I must rule the amendment out of order.

Mr. ABBOTT: Perhaps I might comment on the statement made by my hon. friend. As members of the committee will see if they read the clause, it provides that services rendered by Canadians to non-residents must be paid for in a currency designated by the board. The purpose of the clause is to prevent Canadians from rendering services in the United States and either agreeing to accept payment in Canadian dollars or allowing the matter to stand and not accepting payment now, or making what might appear to be a gift. One of our large sources of United States dollars is the performance of services by Canadians, individuals or corporations, for non-residents. It includes not only legal services but insurance services and that sort of thing; and it is felt that, since an exporter of goods is required to take the fair value of those goods in United States dollars—using that as an example—it is only fair that the lawyer or the insurance man or anybody else who performs services for a United States resident should get paid for those services in United States dollars, in order that those United States dollars may be available for Canada. That, briefly, is the purpose of the section, and I may say that it is considered an essential provision of the bill.

Mr. HATFIELD: What about a company in the United States which had a branch office in Canada and hired the services of a Canadian?

Mr. ABBOTT: That is the reverse case. A company in the United States hiring the services of a Canadian would pay him in Canadian dollars, I suppose.

Mr. HATFIELD: Suppose the United States company has only an agent in Canada and has Canadian funds which have been here since the beginning of the war. I know of companies in the United States that have had millions of dollars tied up in Canada all during the war. They left it here because they could not get it back to the United States. Now they want to get it back.

Mr. ABBOTT: The position with respect to a case such as my hon. friend mentions is this: if the American company were earning revenue in Canada they could pay their Canadian representative in Canadian dollars out of that revenue, but if they were not earning revenue in Canada, if they had an

capacity. Its present capacity for automobiles is 37, but by the addition of a flat car another 24 automobiles can be carried, making a total of 61. It is expected that the addition of the flat car will take care of any congestion during exhibition week.

Mr. BLACK (Cumberland): May I ask the Minister of Transport when the new ferry steamer *Abegweit* will be in service? It was understood it would be in service in 1946. Can the minister give the date?

Mr. CHEVRIER: I could give the hon. member perhaps a little more information than I did when he last asked this question, but I would prefer to make a statement on the whole matter when my estimates come up. In view of changed circumstances it will be impossible to have this ferry ready for September 30.

BACON

BRITISH CONTRACT WITH DENMARK

Mr. J. A. CHARLTON (Brant): I wish to ask the Acting Minister of Agriculture when I may receive an answer to the question I asked yesterday about Danish bacon.

Hon. ERNEST BERTRAND (Acting Minister of Agriculture): Mr. Speaker, I happen to be the Acting Minister of Agriculture, and I must admit that my experience is not very great in these matters. I am asking the department to have a report prepared, and I hope to be able to give an answer to my hon. friend to-morrow.

MOUNTED POLICE

USE OF LIGHTER UNIFORMS IN HOT WEATHER

On the orders of the day:

Mr. JEAN-FRANÇOIS POULIOT (Temiscouata): Mr. Speaker, as we are in a period of hot weather would it not be possible for the government to supply the Royal Canadian Mounted Police who are on duty in front of this building with lighter uniforms?

Mr. ROSS (Souris): They do not want them.

Right Hon. L. S. ST. LAURENT (Minister of Justice): Mr. Speaker, it would be possible to do so, but I think it would be undesirable.

FOREIGN EXCHANGE CONTROL

STATUTORY AUTHORITY FOR ORDERS IN COUNCIL PASSED UNDER WAR MEASURES ACT

The house resumed from Thursday, August 8, consideration in committee of bill No. 195, respecting the control of the acquisition and disposition of foreign currency and the control of transactions involving foreign currency of non-residents—Mr. Abbott—Mr. Macdonald (Brantford City) in the chair.

On section 28—Registration of transfer of securities by resident to non-resident, etc.

Mr. COCKERAM: Would the minister explain section 28(1) (a) which says that:

No person shall, except in accordance with a permit, (a) knowingly register any transfer of Canadian securities from a resident to a non-resident.

Hon. DOUGLAS ABBOTT (Acting Minister of Finance): The purpose of that is to prohibit the transfer of Canadian securities from a resident to a non-resident without a permit.

Mr. COCKERAM: Does this mean that transfer agents in Canada must obtain a permit before making a transfer from a resident to a non-resident on a Canadian register?

Mr. ABBOTT: The transfer agent must not transfer a security from a Canadian resident to a non-resident without first having been furnished with a permit for that transaction.

Mr. COCKERAM: And that applies to every transaction?

Mr. ABBOTT: That has been in force ever since the inception of the foreign exchange control board.

Mr. DIEFENBAKER: Subsection 2 deals with the matter of regulation. I suggest to the minister, and I am sure he is in agreement, that that subsection stand until we have the opportunity of dealing with the general question of regulations under section 35.

Mr. ABBOTT: That is quite agreeable.

Subsection 1 of section 28 agreed to.

Subsection 2 stands.

Section 28 stands.

Section 29 agreed to.

On section 30—Governor in council may require residents to report ownership of foreign securities.

Mr. POULIOT: On a previous occasion several years ago I asked for the registration of all diamonds and precious stones entering this country, but that was denied. There are people who come to Canada with bags of diamonds worth millions of dollars, and they pay no tax on them. There should be an inventory of those possessions.

Mr. ABBOTT: I am not familiar with the diamond situation, but the registration of particular commodities such as diamonds would not come under the board.

Section agreed to.

EXCESS PROFITS TAX ACT

Hon. DOUGLAS ABBOTT (Acting Minister of Finance) moved for leave to introduce bill No. 370, to amend the Excess Profits Tax Act, 1940.

Motion agreed to and bill read the first time.

EXCISE ACT

Hon. DOUGLAS ABBOTT (Acting Minister of Finance) moved for leave to introduce bill No. 371, to amend the Excise Act, 1934.

Motion agreed to and bill read the first time.

SPECIAL WAR REVENUE ACT

Hon. DOUGLAS ABBOTT (Acting Minister of Finance) moved for leave to introduce bill No. 372, to amend the Special War Revenue Act.

Motion agreed to and bill read the first time.

DOMINION SUCCESSION DUTY ACT

Hon. DOUGLAS ABBOTT (Acting Minister of Finance) moved for leave to introduce bill No. 373, to amend the Dominion Succession Duty Act.

Motion agreed to and bill read the first time.

PRIVATE BILLS

FIRST READINGS—SENATE BILLS

Bill No. 358, for the relief of Anita Spinner Starr.—Mr. Maybank.

Bill No. 359, for the relief of Fay Podolne Litwin.—Mr. Maybank.

Bill No. 360, for the relief of Gregoire (Hryhory) Hyss, otherwise known as Harry Hys.—Mr. Maybank.

Bill No. 361, for the relief of James Lamb Runciman.—Mr. Maybank.

Bill No. 362, for the relief of Joseph Wilfrid Lionel Anecie St. Denis.—Mr. Casselman.

Bill No. 363, for the relief of Emily Kathleen Mennie Thissen.—Mr. Maybank.

Bill No. 364, for the relief of Robert Frederick Ring.—Mr. Maybank.

Bill No. 365, for the relief of Walter Vernon Lewis.—Mr. MacLean.

Bill No. 366, for the relief of Leonard Ferdinan Raymond.—Mr. Maybank.

SS. "BEAVERHILL"

QUESTION AS TO REMOVAL OF WRECK FROM SAINT JOHN HARBOUR

On the orders of the day:

Mr. D. K. HAZEN (St. John-Albert): Before the orders of the day are called I should like to address a question to the Minister of Transport. Has a report been received about the removal of the wrecked SS. *Beaverhill* from Hillyard's reef where it went aground on November 24, 1944, and if so, can the minister tell us when the wreck will be removed?

Hon. LIONEL CHEVRIER (Minister of Transport): The hon. gentleman telephoned my office a short while before I came down to the house, so I have not a complete report on the subject matter. From memory I can state that the SS. *Beaverhill* has been in the harbour of Saint John for almost two years. This vessel was owned by the Canadian Pacific Railway Company, and it was abandoned by that company to the insurance company which in turn entered into a contract with Foundation Maritimes Limited to remove it at a very high cost. The position to-day, I am informed, is that the contractor is awaiting favourable tidal conditions in order to remove it, possibly at the end of this month. The department officials are doing everything they can to expedite its removal. I am further informed that it is not interfering with traffic.

P.E.I. CAR FERRY SERVICE

USE OF "SCOTIA" FOR OLD HOME WEEK—SS. "ABEGWEIT"

On the orders of the day:

Mr. J. W. MacNAUGHT (Prince): Mr. Speaker, I should like to address a question to the Minister of Transport, a copy of which has been delivered to him. Will the Department of Transport place the *Scotia* on the Borden-Tormentine run to assist the present ferry during exhibition week, and also during the busy fall season?

Hon. LIONEL CHEVRIER (Minister of Transport): Mr. Speaker, the department officials have given consideration to the placing of one or other of the *Scotias* on the strait of Northumberland during exhibition or old home week in Charlottetown, but the position with reference to the two *Scotias* is this. *Scotia I* is now in dry dock at Halifax, and will not be out for some two or three weeks. As soon as it is released, *Scotia II,* which is in need of extensive repairs, will have to go into dry dock and will not be released until the month of November. During the month of November the weather is so rough in the strait of Northumberland that the department officials think it would be dangerous to add either *Scotia I* or *II* to the present Prince Edward Island car ferry service. But in order to relieve the congestion that might arise during old home week it is proposed that the Prince Edward Island car ferry be used to its maximum

Mr. JACKMAN: I do not know whether the minister understands what I am talking about.

Mr. ABBOTT: I think I understand what the hon. member is talking about, and I understand the principle involved.

Mr. JACKMAN: I shall have to go into some detail and explain.

An hon. MEMBER: At this late hour?

Mr. JACKMAN: Yes, unfortunately, because this bill, while there may be some good points about it, is going to cost the Canadian people in the way of employment and progress untold amounts. Its cost will far outweigh the benefits to be derived from it. The simple question that I asked the minister was, if the Canadian acquires these United States securities through the sale of Canadian assets in the United States—he is not drawing on the funds which the board has in funds in the pool—

Mr. ABBOTT: My hon. friend knows that the foreign exchange control board will not allow a Canadian who goes to the United States to export his Canadian capital to that country unless a permit is granted.

Mr. JACKMAN: I know of all the prohibitions of the board, but what I want the committee to understand is why? Why are there to be prohibitions against that which in no way interferes with what the board would otherwise have?

Some hon. MEMBERS: Carried.

Mr. MACKENZIE: Tory filibuster.

Mr. JACKMAN: Because of the prescience of the individual in looking after his old age he has provided himself with funds at no cost to the board. He has in no way interfered with the board. What I am asking the minister is, in what way has the transaction which I have outlined interfered with the amount of United States funds which would otherwise be available?

Mr. ABBOTT: Again the short answer is that the Canadian who sells Canadian securities in New York and buys United States securities has increased the over-all debit balance of Canada to the United States, if he then moves to the United States.

Section stands.

Progress reported.

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

Friday, August 9, 1946

The house met at eleven o'clock.

PRIVILEGE

MR. LOW—REFERENCE TO ARTICLE IN OTTAWA "JOURNAL" OF AUGUST 5

Mr. SOLON E. LOW (Peace River): Mr. Speaker, on a question of personal privilege, I have before me the Ottawa *Journal* of Wednesday, August 7. On page 3 is an article entitled, "Low charges Mr. King courted communists." The heading and the body of the article are both inaccurate in reporting the contents of my speech at Noranda, Quebec, on the evening of August 5. I did not charge Mr. Mackenzie King personally with deliberately courting the communist party in the 1945 federal election. What I did say was, "The Liberal government is alone responsible for the alarming growth and spread of communism during the past ten years." I further stated that the Liberal party deliberately courted the communists prior to and during the election campaign of 1945.

Some hon. MEMBERS: Oh, oh.

Mr. LOW: I will repeat that for the benefit of the hon. members who want to drown it out. I further stated that the Liberal party deliberately courted the communists prior to and during the election campaign of 1945. My statements were based on an imposing array of factual evidence which I would gladly present here if the rules of the house did not forbid it. I stand by what I said and will present the evidence I have in this house at the proper time and before the highest court of this land, the people.

Mr. MACKENZIE: Even in the revised version now submitted, what the hon. gentleman said was unutterable nonense.

Mr. MacINNIS: Page Tim Buck.

Mr. POULIOT: Page the civil liberties league.

INCOME WAR TAX ACT

Hon. DOUGLAS ABBOTT (Acting Minister of Finance) moved for leave to introduce bill No. 368, to amend the Income War Tax Act.

Motion agreed to and bill read the first time.

CUSTOMS TARIFF

Hon. DOUGLAS ABBOTT (Acting Minister of Finance) moved for leave to introduce bill No. 369, to amend the Customs Tariff.

Motion agreed to and bill read the first time.

have passed now and these controls, with their attendant offences and penalties, should be removed as quickly as possible. I see no reason why our businessmen should not be allowed to carry out their transactions as they did before the war. In your district, Mr. Chairman, you are not far from the border and you know how difficult it is in Detroit and in the lake Erie and Niagara ports. People have complained to me also. I represent a large commercial constituency and I know that businessmen, large and small, are, as I have said, being simply hamstrung at the present time. No wonder we are not getting consumer goods as rapidly as we should.

Amendment (Mr. Hatfield) negatived; yeas, 17; nays, 57.

Section agreed to.

On section 26—Property.

Mr. HATFIELD: I should like to point out that I believe section 26 interferes with treaties existing between the United States and Canada. Maybe the Minister of Justice should look into it. Under these treaties there are points in Canada where United States goods can be loaded in bond for shipment back to the United States at Canadian railway points; likewise, Canadians can load certain produce in the United States for shipment back to Canada in bond. That treaty has been operative for a good many years.

Section agreed to.

On section 27—Resident dealings in securities with non-residents.

Mr. MACDONNELL (Muskoka-Ontario): If this is the appropriate place I should like to ask a question on interpretation purely for information purposes. If a chartered bank holds victory bonds to the credit of a United States purchaser, will such bonds be released to the purchaser on application to the bank, or are they still under the control of the foreign exchange control board?

Mr. ABBOTT: I am advised that the answer is, yes.

Mr. MACDONNELL (Muskoka-Ontario): Still under the control of the board?

Mr. ABBOTT: No; they can be released to a United States resident. A permit will be given without question.

Section agreed to.

On Section 28—Registration of transfer of securities by resident to non-resident, et cetera.

Mr. JACKMAN: I wish to ask a question in regard to these securities. For the benefit of the hon. member for Halton, I had not thought of this question when the committee was holding its meetings. Apparently no one is allowed to take securities with him should he change his residence to the United States. Let us suppose that an elderly person has arthritis or some other difficulty and goes to a warmer climate. Naturally he wants to remove the means by which he lives. Suppose that particular Canadian had the foresight to provide himself in Canada with United States securities, as is easily done under the present regulations of the board, as follows, namely, by selling Canadian securities which are saleable in New York and obtaining funds and putting these United States funds into United States securities. I understand that a Canadian going to the United States will not be declared a resident of that country under the interpretation section of the bill except within the discretion of the board itself. Does it matter to the board whether that man is allowed to take with him the United States securities which he has purchased while here in Canada from the proceeds of sales of Canadian securities in New York? When the witness was before the committee the suggestion was made that there was a certain pool of United States funds which was available to the Canadian economy through the sale of Canadian securities to United States citizens. What I am suggesting to the minister is that there is a pool of United States money at a certain time in exchange for Canadian securities; but if that pool is not dipped into at the particular time it is gone, lost forever, and then you must wait until some Americans want to buy some more Canadian securities. I do not understand how the Canadian economy can be in any way damaged or this right to acquire more United States funds lessened by reason of the fact that the Canadian who was about to settle in the United States provided himself with United States funds at a particular time and then, when he established residence over there, he wished to take those funds with him. How can the board possibly have its scope so far as United States funds are concerned lessened by the transaction which I have just outlined?

Mr. ABBOTT: The short answer to my hon. friend's question is that it is an export of capital by this resident who changes his residence from Canada to the United States, whether he takes it in Canadian dollar securities or in United States dollar securities.

Mr. JACKMAN: That is no answer at all.

Mr. ABBOTT: It is a pretty good answer.

were allowed to go over the border and get their money and bring it home. Any man who was well known, a prominent citizen, could go to a bank and get sixteen, eighteen or twenty per cent. If I went in, dressed roughly, and perhaps with fish scales in my hair I would not get the same theatment. I know of many cases of that kind. I remember the case of a man who came with his wife to the town where I lived, and I may say before going farther that as a rule the larger the amount of money you had, the greater percentage you received. This man's wife had $1,000 to deposit in the Bank of Nova Scotia in St. Andrews, and incidentally, I may say, the manager of that bank is still living. She deposited her money and received twelve per cent. Her husband came with $700 and when he deposited his amount he received eighteen per cent. As they were about to leave for home he mentioned to his wife that he had got eighteen per cent and she was surprised to hear that. Although the bank was closed by that time, they went back and the manager discovered that he had made a mistake and the other six per cent was paid.

I do not know what conditions were like in the larger centres, but I know that in New Brunswick the rate of exchange was never at any time posted in the banks. I know of another case—this gentleman is living to-day. At that time he lived in the town of St. George, and it is interesting to know that there are many "saints" in Charlotte county. He had a certain amount of money to deposit and at one bank he was offered twelve per cent. He came to St. Andrews and they offered him fifteen per cent. Then he went to the Bank of Montreal in St. Stephen and was offered twenty per cent—all on the same day.

My chief reason for supporting this measure is that the foreign exchange control situation has been so handled during the war years that every man in the country, regardless of whether he wore a top hat or, as I have said, had fish scales in his hair, got the same treatment when he went to the bank. Everybody got ten per cent. That is the fair and just way of handling the situation, and I have no doubt whatever that if to-day the foreign exchange control board were thrown aside the same thing would happen as happened during the period of which I have spoken. You would find shysters on both sides buying and selling exchange. That happened before and I have no doubt it would happen again.

One hon. member to-night suggested that these regulations were going to create a nation of law-breakers. I suggest that if we dispensed with the foreign exchange control that we have had during the war we would have a nation of lawbreakers, and they would be the banks and bankers. In my opinion we should stick to the board and allow them to carry on as they have been doing in the past five or six years.

Mr. CHURCH: There is no doubt that we had a good many valuable officials in connection with the foreign exchange control board in war time. They did good work during the war. I suggest, however, that there is too much red tape about the regulations. These controls remind me of the game called winding and unwinding, in which the players rehearse a large number of words and repeat them backwards. In my opinion we are surrendering too much of our financial initiative to Washington all along. We have had controls of foreign currency for five or six years and, if we are to wait for another eighteen months or two years before these controls are all removed, our businessmen will be hamstrung. We have nothing but officials, filing clerks and all the rest of it from the cradle to the grave over exports and foreign exchange, and no business, large or small, can possibly carry on under the interpretation definitions in this section.

Industry and labour in Canada worked wonders in the war and they can work wonders again in peace, but the prime necessity is stability in the delivery of all classes of consumer goods so as to promote our peacetime economy and provide the fullest measure of employment and export of goods and services. But how are our businessmen to do this under these definitions as set out under (a) and (b) as to property and sale by residents of "goods" to be exported. Under this control system we shall have to maintain a whole staff of employees of the foreign exchange control board. As I say, there is altogether too much red tape about the regulations, with armies of officials who think we cannot now live without them.

I have seen the way in which these regulations work at Fort Erie. I come from a commercial city in which there is a heavy American trade by water and rail. I have seen goods coming in and export of goods to non-residents, and I know the difficulties which businessmen, large and small, have to put up with to meet market demands. I fail to see why, fifteen months after the war, we should continue to maintain these irksome controls, which interfere with the freedom of our people. Various transactions which were not regarded as offences in time of peace were created offences during the war; but the war years

into the country without dealing through the agent of the foreign exchange control board. The total fines amounted to $300, all over a few tons of hay and straw.

Mr. ABBOTT: I am glad my hon. friend said he did not object to the B form, because my information is that there is really no added work in filling out the entry.

Mr. HATFIELD: But the farmer has to send $2 to Ottawa to get a chance to take a few dozen eggs across the border.

Mr. ABBOTT: That, I am glad to say, is a responsibility of my colleague the Minister of Trade and Commerce and not of the Acting Minister of Finance.

Mr. HATFIELD: I am told by the Department of Trade and Commerce that they do not want to continue the export permit board, that this is only done at the request of the wartime prices and trade board and the foreign exchange control board; they are only policemen for that board; they are not getting anything out of it.

Mr. KIDD: I should like to draw to the attention of the minister a condition which, somewhere between the foreign exchange control board and the Minister of Trade and Commerce, is proving a hardship. I speak on behalf of citizens of the upper St. Lawrence, Wolfe island and Howe island, which I represented in the upper house for fifteen years, and I want to endorse everything that was said by the hon. member for Stanstead. These farmers who have been living in the vicinity of Howe island and Wolfe island have been going back and forth across the border; in fact they are nearer to the United States border than they are to their own county town. Strawberry producers were practically put out of business two or three years ago on account of these controls. But I want to refer particularly to a man in my own city who went over to Saratoga Springs with a string of horses. He tried to get a permit to take a few oats over to the United States, and this was refused.

Mr. ABBOTT: I do not want to interrupt my hon. friend, but this has nothing to do with the foreign exchange control board.

Mr. KIDD: But there is an overlapping. I wish the Minister of Trade and Commerce was in his seat at the present time. As I said, here was a man with a string of horses going to the United States, and he cannot get oats for them and cannot bring oats in. The results are obvious.

Mr. BRYCE: Feed them hay.

[Mr. Hatfield.]

Mr. KIDD: You cannot even get hay over there. We have at Kingston one of the finest racetracks there is; northern New York has nothing to touch it. Men arrange to take six or eight horses over, and then they are turned down at the border when they want to take over a few bags of oats. It is a nuisance, and I think that between the Acting Minister of Finance, the Minister of Trade and Commerce, and some of their officials it should be possible to issue a permit to a horseman allowing him to take eight or ten or a dozen bags of oats in the back of his truck to feed his horses over there.

Mr. ABBOTT: I shall bring my hon. friend's remarks to the attention of the Minister of Trade and Commerce.

On the question which has been raised here about the farmers along the 3,000 miles of undefended border being able to ship produce back and forth, I do not think I can accept the amendment in its present form, and I question whether my hon. friend really intended to eliminate the B form. But what I will do is this: I will discuss the matter with the officials of the board and see whether, by regulation now or at a given time, some limit could be set under special local conditions. But, as I said before, I think it should be done by regulation so that it could be adapted to local conditions, instead of trying to make it general.

Mr. HATFIELD: I do not care how they do it, but I should like these ministers and the boards to get together so that some simple way could be devised whereby a farmer can take over and sell his goods without going through all this nonsense. It piles up work for the different boards and departments and it is a great nuisance to the farmer. A United States citizen can come over here, buy $100 worth of goods and take them out of Canada without getting a permit; he only has to declare his purchases. Why should the Canadian citizen not be in the same position?

Mr. ABBOTT: I appreciate my hon. friend's willingness to cooperate.

Mr. STUART (Charlotte): The county in which I live is on the United States border. I believe there are hon. members on the other side of the chamber who can remember as well as I the way the foreign exchange control was instituted during the last war. At that time, as I recall, the Right Hon. R. L. Borden was prime minister of this country. I remember distinctly as a very young man at that time that, instead of the money of our fishermen and farmers being handled through a foreign exchange control board, our people

That will do to start with. I will also ask him, with his experience as Acting Minister of Finance and in dealing with other departments, if the same information could not be obtained from officials in other departments who do exactly the same work? Would the minister be kind enough to answer my question?

Mr. ABBOTT: I think that information can be made available. It would be exactly the same number as the number of customs export entries. The Department of National Revenue may have the figures as to the number of entries. It is issued at the same time. It is the same form.

Mr. POULIOT: It is a perfect example of duplication and waste.

Mr. McLURE: I want to put a question that will not be as noisy as some of the questions that have been asked. To-day there is a large export trade growing up, that is large in number, to what are called the free port zones in New York. These zones are especially established for dutiable goods. I am wondering whether we shall have any protection under this new bill and these export regulations. To-day an exporter has, we will say, a thousand dollars worth of dutiable goods going into the United States. He just ships that with an ordinary permit, or has been shipping it with an ordinary permit. He does not have to declare any valuation except for insurance. Those goods, if they are shipped to New York, are shipped to the New York free port zone. The goods are not in bond but they are dutiable. The exporter ships through some chartered bank which has an agency there. Then the exporter notifies the man to whom he expects to sell, and that man goes to the free port zone and examines the goods. A price is then placed on them by the exporter which is sufficient to cover the value, plus the exporter's profit, plus the duty that will be paid on the goods. The buyer has nothing to do with the duty. He just goes in and looks at these goods and, if they are worth to him the price which the exporter states, he buys them. He pays the bank, and the bank pays the United States customs officer the duty. What I want to know is, when that transaction is completed, how the funds will be handled and how the exporter will be protected under this new bill.

Mr. ABBOTT: I am not familiar with the practice which my hon. friend has so clearly outlined. I think I shall have to make some inquiries and give him an answer a little later.

Mr. McLURE: Hundreds of thousands of dollars worth of goods have been shipped in the last few years. It is a trade which is essential to Canada. One of its advantages is that it is so easy to ship now. You do not have to value your goods; you do not have to pay your duty to go into the United States and then try to sell your product afterwards, and if we could get proper protection in this connection it would be a great thing for the exporters.

Mr. ABBOTT: I will make inquiries and see if I can find out what happens in these cases.

The CHAIRMAN: Order. We have an amendment proposed by the hon. member for Victoria-Carleton. Is it his wish to press the amendment in view of the explanation the minister has made?

Mr. HATFIELD: I should like to say to the minister that I am not so much opposed to the B form, but I understand that the export permit board is being carried on by the Department of Trade and Commerce at the request of the wartime prices and trade board and the foreign exchange control board.

Mr. ABBOTT: May I assure my hon. friend as strongly as I can that that is not the case.

Mr. HATFIELD: That is, the permit.

Mr. ABBOTT: I thought that was the permit to which my hon. friend was taking objection.

Mr. HATFIELD: That is the permit on which the foreign exchange control board has prosecuted all these people in my constituency, and the commissioner of customs told me that they were only policemen for the minister's department, that they were tired of doing it, that they had to put on an extra staff to police his foreign exchange control department. A certain farmer applied for an export permit on so many tons of hay and so many tons of straw. Since that time, two years ago, there was a shortage somewhere in Ontario or Quebec, a long way from his market, they refused a permit on the hay but they gave him a permit on the straw. The man, when he started to haul the straw, went around the Canadian customs, paid the duty on his straw, and delivered it to the United States market, and when he got through with hauling the straw he hauled the hay. The mounted police came along and checked with the United States officer and found that the farmer had paid duty on so much hay and so much straw. He was arrested, brought before a magistrate and fined for exporting goods without making an entry to the proper customs officer, and he was also fined for bringing money back

statistics on wheat and other things produced in Canada. Those were very satisfactory. That branch had many able men, and I do not see why there is so much duplication and triplication of bureaucracy in the form of various boards, commissions, branches, bureaus, et cetera.

Here we have another example. The country is going to have to feed all those who come from the university with diplomas bearing bright gold seals. They are the ones who are going to run the country. The policy of the government is supposed to be to promote private initiative, but how can there be private initiative when the men in this country with private initiative are like the giant described by a well-known English author and who was tied up by dwarfs? He was a giant, but he could not move; the dwarfs were all around him.

Mr. HACKETT: Do you remember his name? Was it Gulliver?

Mr. POULIOT: I know very well, but I wanted my hon. friend to show how well read he is. It was a classic. When as a child I read "Gulliver's Travels" by Swift, if I am not mistaken, I was enchanted. But I said to myself, how can a giant be tied up by dwarfs like that? I never thought I would see it done in the year 1946, that I would be a member of parliament then and actually see it done here in the House of Commons. We have through this board of duplication of services for which the taxpayer has to pay. I admit that hon. gentlemen have a right to lay their grievances against the board before this committee. I will go farther and say that it is their duty to do so. But on the other hand, if we want to stop these grievances against the board for good, we have simply to give no power to the foreign exchange control board, and I ask the committee not to forget what I said yesterday, that the only way to reform that board is to abolish it. It is the fifth wheel of the coach of state.

The ACTING CHAIRMAN (Mr. Golding): Order. We are on section 25.

Mr. POULIOT: If I am permitted, Mr. Chairman, I will conclude. To come back to exports and imports—and I hope that the committee will be indulgent enough to let me speak of both at the same time because the two go together—

Mr. MacINNIS: The committee is far more indulgent than that.

Mr. POULIOT: The committee is generous. My hon. friend was a member at the time I referred to and he remembers the discussion on imports and exports. There are two sections of the bill in relation to imports and exports, sections 25 and 26. There should be only one section, consisting of two subsections, subsection (a) dealing with exports and subsection (b) dealing with imports, so that the two could be discussed together and so that we could reach some conclusion regarding trade, which is the lifeblood of the nation.

What information can we get from this board about the shipment of various products since the beginning of the war? What about the shipment of cheese? What about the shipment of powdered milk? What about the shipment of meat, dressed meat, frozen meat and canned meat? What about the shipment of wheat and other grains? Can we get the figures of these shipments to various countries for the last five or six years? The board must have that information; otherwise they would not be in a position to grant any permit. In the Department of Trade and Commerce we have gentlemen who are most serviceable to members of parliament. We have to go to them sometimes when we are sending gifts to another country to find out if they are dutiable in that country, and they give us that information. What information can one get from the foreign exchange control board? What is the personnel of that board? What is the personnel that looks after imports? What is the personnel that looks after exports? We know the personnel in the Department of Trade and Commerce, the gentlemen who are compiling statistics, and we know the gentlemen who are issuing permits and compiling data in the Department of National Revenue.

I do not understand how any gentleman can complain about bureaucracy if he does not seize this unique opportunity to redress wrongs, to put a stop to them, and at the same time make life easier for the businessman, who at the present time has to go to the board and get this permit and that permit, then come back and get another permit, then have it countersigned by one expert, and even that counter-signature is not enough but must be initialed by another super brain. Even that is not enough. It mst be folded in such a way as to conform with the standards of the board. I cannot understand how business can prosper with all those obstacles in the way. I will ask the minister a simple question. Is it possible for the board to give any definite information about the total number of permits which have been issued over a certain number of years, say one, or two or three or four or five years, by the foreign exchange control board for various commodities; for flour and grain, including wheat of course; cheese, powdered milk, all kinds of meats, lumber, and minerals?

Mr. HATFIELD: I have in mind the case of a farmer who exported two cords of wood. When he came to the border he was asked to fill out the B form which the minister has spoken about, indicating how much he expected to receive for the wood. He said he had sold the wood for $30, and he made out the B form, stating that he would return $30 and sell it to the bank. The bank was acting as the agent for the foreign exchange control board. The man overlooked the fact that when he was in Maine he would have to spend $1 for his dinner. When he came back he had only $29, and he had to write a number of letters and the banker had to write a number of letters to the foreign exchange control board explaining why it was that he had not brought back $30.

Mr. HACKETT: Inasmuch as our dollar is now on a parity with the United States dollar, does not the reason for this provision in the bill, within the limits of the amendment, pretty well disappear? When there was a difference of ten per cent it was a much more serious matter than it is now. Another regulation imposed on the small exporter means an additional deterrent. I am reminded of the provision in the constitutions of many of the southern states that voters must read, write and understand the constitution. One gentleman of dark complexion was asked if he knew what that meant, and he said, "Yes, sir, it means that this nigger isn't going to vote." These regulations mean that our people cannot take their products to a ready and customary market. The result is an unnecessary loss.

Mr. ABBOTT: Referring shortly to my hon. friend's first question, as to whether or not the fact that the Canadian dollar is on parity with the United States dollar has not largely removed the necessity for this restriction, I would say that the answer is in the negative. We still need to conserve our United States dollar reserves, and that is the purpose of foreign exchange control. Prior to the change in the exchange rate, the Canadian exporter received more in Canadian dollars for the goods which he exported, but that is the only change which has taken place.

Mr. HACKETT: United States dollars seem to be in current circulation in Montreal these days.

Mr. JACKMAN: Illegally.

Mr. POULIOT: This afternoon I listened to hon. gentlemen who were not satisfied with the legislation for returned men because it was not broad enough. I was reminded of denunciations of taxation which have been made in previous times. When expenditures come before the house or before the committee they are all agreed upon; they are never enough. To-night I am thinking of the denunciation of bureaucracy. This bill is intended to increase bureaucracy. Hon. members have referred to a few cases where complaints could be lodged against the action of this board, but I am distressed by the fact that the hon. gentleman who sponsors this legislation has said that the export permits to be issued by the foreign exchange control board will not be the same as those issued by the Department of Trade and Commerce. This is another permit, something entirely different; it is not the same thing; it is something new. Then there will be other permits for imports different from those issued by the Department of Trade and Commerce.

There are four departments of government set up to promote trade between provinces or between Canada and other countries. The first of these is the Department of Agriculture. The next is the Department of Mines and Resources which supplies prospectors with maps, et cetera. Those two departments help the different producers in this country to develop trade. I remember the legislation passed by the Bennett government in connection with marketing between the provinces. That caused more trouble than could be described now, but the purpose was to develop trade through the Department of Agriculture.

Trade consists of exports and imports. To promote exports we have the Department of Trade and Commerce. This department has assisted Canadian producers and Canadian manufacturers; it has paid subsidies to navigation lines, et cetera. But on top of this department we have now set up a commercial corporation. This has been established by legislation, and unfortunately I was not in the house on Monday when the particular legislation passed like butter in a pan. It was a new scheme thought up by a few of the intelligentsia to give direction to trade through the Department of Trade and Commerce. The long-established department was not enough; a corporation had to be set up on top.

We have had since confederation the former department of customs and excise, afterwards the Department of National Revenue, to deal with imports. There is another branch of that department, the bureau of statistics, which is supposed to do the work that is proposed to be done by this board. We have not heard from the bureau of statistics for a long time. I remember, when the Bennett government was in power, I used to receive

farm or the catch up to a value of $100 each month, but it would not relieve such exporters from the necessity of making the usual export entry.

In point of fact, this permit about which so much has been said, as to the nuisance of getting it, is issued by the customs officer and forms part of the forms in connection with customs export entries. It is known as form B, and the permit is obtained by filling out the usual customs export entry form, which now calls for a declaration by the exporter of the goods, their destination, the price to be received and so on.

The whole purpose of this permit system is to make sure that exports to foreign countries and in particular to the United States—that is what we are talking about now—will result in proceeds of sales being paid in United States dollars and made available to our exchange fund. That is the purpose of the permit. Under subsection 2 of section 25 it is provided—

> The board shall not withhold a permit for the export of goods from Canada where payment of not less than the fair value of the goods in a currency designated by the board as acceptable for such a transaction,
>
> (a) has been received by a resident from a non-resident and, in the case of payment in foreign currency, the foreign currency has been sold to an authorized dealer;
> or
>
> (b) is due to a resident from a non-resident under the terms of sale within six months after the goods are exported from Canada and, in case where payment is to be made in foreign currency, the board is satisfied that the foreign currency will be offered for sale to an authorized dealer forthwith upon receipt.

There is not any great hardship involved in that. There is not any great formality involved in it. It is true there may not be a customs officer close to the point where a particular farmer wishes to take his load of hay across the boundary line. Nevertheless, if he is selling hay or any other commodity in the United States he must make an export entry for that produce. He should be required to do so and he is required to do so. There is no additional formality in obtaining a permit of the foreign exchange control board, because customs officers act as agents of the board in issuing those permits.

Mr. HATFIELD: May I ask a question?

Mr. ABBOTT: Yes.

Mr. HATFIELD: I understand that the export permit board, which is under the Department of Trade and Commerce, was set up for the purpose of forcing the exporter to take out a permit, so that the foreign exchange control board could keep track of the exports from this country. I took this matter up—

Mr. ABBOTT: What is the question? I was making a statement.

Mr. HATFIELD: I took the matter up with the commissioner of customs—

Mr. ABBOTT: My hon. friend may make another speech later. I answered the question by saying that the export permit required by the Department of Trade and Commerce has nothing whatever to do with the foreign exchange control board. I say that positively. It has nothing to do with it at all.

Mr. HATFIELD: In these cases where a farmer was fined for taking a few dozen eggs or a ton of hay—

Mr. ABBOTT: It has not anything to do with the export permit branch of the Department of Trade and Commerce. I was proceeding to say that this really involves no additional trouble on the part of the exporter. He must make out his export entry, and in making out that export entry he obtains at the same time a permit from the foreign exchange control board. He does not even fill out the extra form. The customs officer is the agent of the board for the purpose of issuing that permit.

The whole purpose is to enable a scrutiny to be made of the exports which are going to other countries, and the amount which is to be received for them.

I think, if a provision of this kind were to be included—and I shall be glad to discuss it with the officials of the board to see whether it is practicable—it would be desirable to make it by regulation rather than by statute. Personally I believe it would be a mistake to single out a special group or special groups for special treatment. If this can be done without danger to the efficient administration of exchange control, then I quite agree that it should be put in. But I think it should be done by regulation and not by singling out any special group for this special treatment.

I repeat that I do not think any real hardship is involved in getting this extra permit. I have a strong suspicion that some of the cases which have been described by the hon. member for St. John-Albert and the hon. member for Victoria-Carleton are cases of individuals who were anxious to ship hay or some other product to the United States in order to avoid the ceiling prices which still prevailed in Canada.

plaint before the banking and commerce committee when the bill was before it, so that the matter could have been gone into?

Mr. HACKETT: Because we understood we were going to discuss this matter.

Mr. CLEAVER: Obviously you cannot have a matter of this kind discussed in the house. If the hon. member had brought these complaints before the banking and commerce committee—

Mr. JACKMAN: The free press of Canada has been stirred up on behalf of the victims.

Mr. HAZEN: I think I expressed myself clearly with regard to this bill when it was before the committee.

Mr. CLEAVER: Did the hon. member make any of these complaints before the committee?

Mr. JACKMAN: What would you have done, if he had?

Mr. HAZEN: If the chairman of the committee wishes me to read the stand I took then, I have it here and I am prepared to read it.

Mr. CLEAVER: Well—

Mr. HAZEN: Now, do not get impatient. He has asked if I mentioned certain instances before the committee. I did not mention particular instances because I did not think it was necessary. I had one or two instances in mind at the time.

But I will say this, that since we were before the committee there have been a great many more of these instances brought to my attention, and I am giving a few of the instances to the committee to-night. I am going to refer to two more of them. These are only two; there must be thousands of them; I do not know how many there are.

Mr. CLEAVER: I understand that the hon. member did not know of these instances.

Mr. HAZEN: A farmer took a few tons of hay across the line because it was convenient for him to do so. He declared it to the customs authorities and paid the duty. He was summonsed before the magistrate by the board and fined $200. This man's name was Cain, from the county of Carleton in the province of New Brunswick.

There was another man who took a load of hay across. There was no Canadian customs officer there. He paid the duty on the hay to United States customs officer. This man was summonsed before the magistrate and was fined $200.

Mr. ABBOTT: Does the hon. member know whether these cases were for infractions of foreign exchange control regulations or for failure to obtain export permits from the Department of Trade and Commerce.

Mr. HATFIELD: They were prosecuted by the foreign exchange control board.

Mr. ABBOTT: I was asking the hon. member for St. John-Albert. I did not know that the information was provided by the hon. member for Victoria-Carleton. But I see that it was.

Mr. HAZEN: If you want to make a speech, go on. My information is that these charges weres laid by the foreign exchange control board.

Mr. ABBOTT: But you have not personal knowledge of it.

Mr. HAZEN: I was not associated with the case.

Mr. HATFIELD: I was.

Mr. ROSS (Souris): What difference does it make who has the information, if it is a fact?

Mr. CLEAVER: There may be some doubt as to whether it is a fact.

Mr. HAZEN: I have the records of only a few cases, but there must have been thousands. However, I have referred to them to point out the hardships which exist under these regulations, and I cite them as an argument in support of the amendment moved by the hon. member for Victoria-Carleton.

Surely it would not have affected the rate of exchange if these primary producers were permitted each month to take not more than $100 worth of the goods they produce by their own efforts to the United States. As the hon. member for Stanstead has said, it is their natural market.

Mr. ABBOTT: And where they can get higher prices, too.

Mr. HAZEN: As the hon. member for Victoria-Carleton has said, it is their natural market. I would ask the minister to give this matter his sympathetic consideration, and to bless it with his approval.

Mr. ABBOTT: Just a word respecting the proposed amendment. As the hon. member for Stanstead has said, I am thoroughly familiar with the conditions along a certain part of the Canadian-American border, having been born and brought up very close to that border. The proposed amendment would provide that in the case of a bona fide farmer or fishermen there would be no requirement to obtain a permit from the foreign exchange control board in exporting the produce of the

Mr. ROSS (Souris): In this amendment we are asking that the producer should report to the customs officials and make a declaration so that he would be saved the bother of writing to Ottawa for an export permit.

Mr. ABBOTT: He does not have to; it is done by the customs officers when he fills out the declaration.

Some hon. MEMBERS: No.

Mr. ABBOTT: Yes, it is.

Mr. ROSS (Souris): Whether it is or not, he would have the right to do it by this amendment. Does the minister say he has the right now?

Mr. ABBOTT: I shall answer in a minute.

Mr. IRVINE: I wish my hon. friend would also tell us what the amendment is, because he is the only hon. member whose voice we can hear over here.

Mr. ABBOTT: Would it help if I made a brief statement?

Mr. ROSS (Souris): I am sorry if the hon. members did not hear the amendment proposed by my colleague. It reads as follows:

That section 25 be amended by adding a further clause, to be numbered 3, as follows:

"Nothing herein contained shall require a bona fide farmer or fisherman to secure a permit under this act to export the products of his own farm or his catch up to the value of $100 every month, providing that an export entry is made by such exporter to the appropriate customs officer at the port of entry."

That is exactly what is proposed. The situation as set forth by the hon. member, which prevails along the borderline in the towns of the maritimes, prevails all across Canada. I happen to be resident of a community close to the borderline. I personally know the details of the situation which exists along the boundary line through Saskatchewan, Alberta and Manitoba, and it is a situation which prevails from coast to coast in Canada. As has been pointed out, tourists travelling back and forth to Canada and the United States are allowed, under some reciprocal arrangement, to make a purchase every so often up to the value of $100, provided that they have spent so many days in the country. The minister should give careful consideration to this amendment which would grant that privilege to producers along the boundary lines. In many cases the closest town or community or market is much closer across the border than on the Canadian side where they happen to be living. I do not wish to repeat any of the arguments which have been made before the committee, but I hope that the minister will give serious and favourable consideration to this amendment in the interests of a great many of our citizens.

[Mr. Abbott.]

Mr. HAZEN: I rise to support the amendment which has been moved by the hon. member for Victoria-Carleton. The regulations made by the board are continued by this bill. These regulations have been not only a nuisance but a hardship to many farmers and fishermen who live along our international border. The hon. member for Stanstead has referred to the close community which exists between citizens who live on the other side of the border and those in or near his constituency. I would point out that in New Brunswick we have the town of St. Stephen on the New Brunswick side of the river with a large surrounding population, and the town of Calais on the Maine side of the river with a large surrounding population. The fire department of one community goes to the fires in the other community. The two communities use a common graveyard; the two communities celebrate the 24th of May and the 4th of July together.

Mr. IRVINE: Do they vote at the same polls?

Mr. JACKMAN: There are no C.C.F. there.

Mr. HAZEN: I referred to the hardships which have existed under these regulations. I wish to give one or two instances of them, and I can furnish the names if the minister wants them. Take the case of a farmer taking ten dozen eggs across the border. He declares these eggs to the United States customs and pays whatever duty there is on them. At the particular place where he declares these eggs to the customs authority there is no Canadian customs official. In more than one instance, as a result of not obtaining a permit before taking these few eggs to the United States, he has been summoned before a magistrate and fined $100. If the minister wishes the names I can furnish them. I have the name of the man who was fined in this instance, and I shall give another instance.

Mr. ABBOTT: I think we should have these names.

Mr. HAZEN: One is a man by the name of Burt, who lives in Centreville, New Brunswick. Another is a man by the name of Hartley, who lives in Centreville, New Brunswick.

Mr. CLEAVER: Will the hon. member permit a question?

Mr. HAZEN: Yes.

Mr. CLEAVER: Will the hon. member tell the committee why he did not bring this com-

required to secure from the export permit branch of the Department of Trade and Commerce and the permit which one has to obtain under this section.

Mr. HACKETT: What is the point of order?

Mr. LESAGE: I submit that the amendment is out of order, and so have been the speeches delivered by the two hon. members. I believe the hon. members are confusing export permits that must be obtained from the export permit branch of the Department of Trade and Commerce and permits under this section.

Mr. HACKETT: I rise to a point of order, Mr. Chairman. May I ask that the hon. member be requested to state his point of order instead of attempting to make a speech in the middle of mine.

Mr. LESAGE: I am stating the point of order. I say that the two hon. members are not speaking about permits that have to be obtained under section 25, but about those that have to be obtained from the export branch of the Department of Trade and Commerce and, therefore, are out of order.

Mr. HACKETT: I merely point out to you, Mr. Chairman, that no person shall, except in accordance with a permit, export any property from Canada, and I submit that that includes fish and the farm produce of which I am speaking. I know that, whatever be the lot of this amendment, it will have the friendliest consideration of some gentlemen opposite because they know the conditions whereof I speak.

There is one other point I should like to bring to the attention of hon. members opposite. By these unnecessary enactments, by these restrictive and highly irritating bits of legislation, without point or purpose we are making of our people a nation of lawbreakers. We are belittling the majesty of the law, we are sapping its status and its value and undermining its dignity. We are dragging it in the dust by this pettifogging type of interference with ordinary liberty and everyday business.

Mr. JACKMAN: Hear, hear.

Mr. HACKETT: My hon. friends are fully aware that along the border there are opportunities for our farmers and, I suppose, for our fishermen to get substantial prices for produce. I fear that if they cannot get them in the ordinary way in which they have got them in the past they will seek to get them illegally, and that is a result which is greatly to be deplored. In the past ours has been a law-respecting population, a God-fearing people. I suggest, Mr. Chairman, that by restricting the people without purpose, by restraining them to no end other than aggravation, the law loses its majesty and the people their reverence for it. I ask the minister to consider the amendment carefully.

Mr. IRVINE: May I ask the hon. gentleman a question before he resumes his seat?

Mr. HACKETT: Yes.

Mr. IRVINE: Perhaps I had better put it as straight as I can so as not to take time. I should like to know if there is any difference in principle between the so-called pettifogging restriction which my hon. friend referred to in respect of section 25 of the bill, and the restrictions which a man would exercise if he were to buy a box of cigars in New York, a pair of silk stockings in Philadelphia and a couple of new tires for his car in the days of the tariff and tried to cross this mutual border about which my hon. friend has been talking? I do not remember my hon. friend ever using that argument when he was supporting the tariff policy of Canada.

Mr. HACKETT: I shall be glad to answer that. I am speaking for the farmers of a farming community who are merely seeking the right to exercise a prerogative which has been theirs for generations. These markets in adjacent towns or in the other part of the same community have always been open to them; it was only when the restrictions of the foreign exchange control board were put on as war measures—I am not talking now of customs duties; they have to be paid—that their position was made impossible. I am talking of getting the permit which takes so much time and discourages the people from seeking the ordinary outlet for their produce in a local market.

Mr. ROSS (Souris): In supporting the amendment of my colleague the hon. member for Victoria-Carleton, may I first of all add to the answer given to the hon. member for Cariboo. As I understand the situation, there is at the present time a reciprocal arrangement whereby tourists crossing the border, after having spent so many days in either country, can purchase $100 worth of goods, including the goods which my hon. friend mentioned. By comparison, that is all we are asking for in this measure.

Mr. ABBOTT: They have to make a declaration.

Mr. ROSS (Souris): That is true.

Mr. ABBOTT: That is all that there is in this section. It is a form combined with the customs form.

In my constituency the nearest market of a great many farmers is over in the state of Maine, a mile or two from where their farms are located; the Canadian market is probably ten to fifteen miles away from that point. Before the war and prior to the regulations brought down by order in council, these farmers always hauled some of their produce, when they could sell it at a higher price, over the border to the nearest market, and brought their money back into Canada and spent it to suit themselves. This section forces them to send two dollars to Ottawa to the export permit board to obtain a permit to export these goods. Therefore, to help these farmers who live near the border, I am going to move an amendment to section 25.

Hon. DOUGLAS ABBOTT (Acting Minister of Finance): There is no fee on the export permits. I think my hon. friend is confusing these permits with the permits of the export permit board.

Mr. HATFIELD: I move, seconded by the hon. member for Souris:

That section 25 be amended by adding a further clause, to be numbered 3, as follows:

"Nothing herein contained shall require a bona fide farmer or fisherman to secure a permit under this act to export the products of his own farm or his catch up to the value of $100 every month, providing that an export entry is made by such exporter to the appropriate customs officer at the port of entry."

Formerly that was all they had to do, these persons who live near the border, before the regulations came into effect. They put up with these regulations during the war because they thought there should be some regulations to help the war effort, but it works a hardship. Men have been refused export permits a great many times. Growers of strawberries throughout Canada, and specifically in Ontario and British Columbia, have been refused permits to export their strawberries to the United States market and forced to sell them to the British food ministry at a very low price, packed in SO2, and these strawberries were shipped to jam manufacturers in Great Britain. You can go into any grocery store in New York or other United States cities and buy these strawberries, converted into jam, to-day, although the farmer who grew them was not allowed an export permit to export.

Mr. HACKETT: I was very much pleased, in talking the matter over with the hon. member for Victoria-Carleton, to promise him my support. I told him that he would find on the front benches opposite at least some members who are familiar with life on the border and who would probably lend a sympathetic ear to his suggestion.

Hon. members who are not acquainted with border life do not appreciate the extent to which these regulations have wrought a hardship on border populations. Villages have grown into communities and the communities have stretched across the border. For instance, in my own constituency there is Stanhope and across the border in Vermont is Norton Mills. They form but one community. The acting minister knows well the geographical location of Beebe, Vermont, and Beebe, Quebec. The post offices were in the same building, the Canadian postmaster was for many years a faithful servant of the United States postmaster. He sold postage stamps for two countries as he dodged from wicket to wicket. He was a very useful member of the community. Stanstead and Rock Island, Quebec, and Derby Line, Vermont, constitute but one community. There was no duplication of service. There was one undertaker and there were churches on either side of the line, which people frequented according to their denominational preference. The butcher lived in one country, the candlestick maker in the other. The theatre was in both, straddling the line.

These regulations to which people submitted throughout the war, have created tremendous dissatisfaction and genuine difficulties. The hon. member for Victoria-Carleton is not seeking to undermine or defeat the main purpose of the act. He is asking the minister if bona fide farmers and bona fide fishermen may not have access to the markets that they have always known and supplied. It may be true that the actual monetary outlay to obtain a permit is not great, but there is interminable loss of time, and that something which every man hates and detests; going into an office where he is confronted by gentlemen who, though courteous enough, bring home to him the fact that he may not be able to read, or to write, the fact that he is not fully informed as to the date of his birth or the date of his marriage, or has not at his tongue's tip some of the minutiae of information which he is required to supply to get a permit to take a dozen eggs to the old lady just across the way, whom he has known and to whom he has sold eggs for probably twenty years.

These are matters of small importance, so small that they are unnecessary. These regulations spring, I dare say, from a desire to serve the country, but they are dictated by people who are not familiar with local conditions.

Mr. LESAGE: Mr. Chairman, on a point of order, I wonder if the two hon. members who have been addressing the committee are not confusing the export permit that one is

headlines these words: "Corps to be a civil defence organization"? There it is right in the order in council and in the regulations that were put out at that time. How can anyone, in the face of that, say that there was double-crossing?

Mr. GREEN: What date was that?

Mr. TUCKER: The date of the regulations approved by order in council was March 3, 1942. There cannot be any doubt at all in the face of that.

Section agreed to.

Sections 2 to 9 inclusive agreed to.

Bill reported.

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs): Mr. Speaker, in moving, with the consent of the house, the third reading of the bill, may I be permitted, as a minister of the crown, to say that this is the conclusion of the work of that painstaking, industrious, excellent and devoted committee on veterans affairs, and to extend to the committee on behalf of this house our thanks for the wonderful work they have done. Long after we have left this arena, the work that they have done for their comrades in Canada will be remembered by the veterans of Canada, those who survived, as long as they do survive, and it will be remembered, too, with deep gratitude by the nation at large. It is not surprising in the slightest degree that we had our contentions, controversies and disputations, but I think the measure of cooperation which the committee achieved was an example for all time to the parliament and people of Canada and will be an abiding inspiration to our comrades across the broad acres of the nine provinces of Canada.

Mr. T. J. BENTLEY (Swift-Current): I am not quite satisfied yet. I appreciate, as I know all members of the committee do, the very fine words of the minister, and we are glad that the work we tried to do was recognized, but in our opinion that work has not been completed in the bill in its present form. The parliamentary assistant made quite a case a few minutes ago by holding up a pamphlet or some other document which stated that this civilian corps of fire fighters was in actual fact, by the order in council, a civilian corps. That could have been corrected. If I remember correctly we had to take action in the committee to bring the W.R.N.S. under the operation of the bill because of a technical error somewhere in the preparation of the order in council. Because of that, and because I believe this action is necessary, I move, seconded by the hon. member for Melfort (Mr. Wright):

That this bill be not now read a third time, but that it be referred back to the committee of the whole with instructions that they have power to reconsider the position of these fire fighters.

Mr. MACKENZIE: I rise to a point of order. The only possible implication of the amendment, Mr. Speaker, would be that the bill would be referred back to the committee of the whole in order to reconsider the position of the fire fighters, which would mean the imposition of greater taxes upon the people. I therefore suggest that the amendment is out of order.

Mr. IRVINE: On the point of order, surely it is not infringing the rule to ask the committee to consider this. It is not a specific motion which would involve an increase of public expenditure; it is asking that the matter be referred back for reconsideration.

Mr. SPEAKER: I shall have to put that amendment aside, and refuse it, since it is out of order.

Motion agreed to and bill read the third time and passed.

Mr. LENNARD: On division.

Mr. IRVINE: We should like to know very much, Mr. Speaker, how you decided the point of order.

Mr. SPEAKER: I have told the hon. member that this amendment was out of order, and then I put the question.

Mr. IRVINE: On what grounds, sir?

Mr. SPEAKER: And I put the question to the house "that the bill be now read the third time", and the house adopted the motion.

FOREIGN EXCHANGE CONTROL

STATUTORY AUTHORITY FOR ORDERS IN COUNCIL PASSED UNDER WAR MEASURES ACT

The house resumed from Wednesday, August 7, consideration in committee of bill No. 195, respecting the control of the acquisition and disposition of foreign currency and the control of transactions involving foreign currency or non-residents—Mr. Abbott—Mr. Macdonald (Brantford City) in the chair.

The CHAIRMAN: When the committee was last sitting it was considering section No. 25—Property.

Mr. HATFIELD: I should like to point out to the minister that this will impose hardship on thousands of farmers and other citizens of this country living near the Canadian border.

channel daily, but our chance never came, and it was with keen disappointment and regret that our overseas contingent was finally disbanded before we could go farther and do more.

I simply wished to put that on the record.

Some hon. MEMBERS: Carried.

Mr. BLACKMORE: I trust that the hon. members in the rooting section we have over in this corner will endeavour to be more fair. It may be necessary to put on *Hansard* the names of hon. members who make themselves obnoxious. I may tell the hon. members that I think they have disrupted enough the debates in this house on many occasions. They have been here long enough to learn how to behave in parliament, and I think it is time they began to do as they ought to do.

The CHAIRMAN: There are so many interruptions that it is impossible for me to hear the hon. member for Lethbridge. He has the floor.

Mr. BLACKMORE: Thank you, Mr. Chairman. I feel that the government is trying almost frantically to make a distinction without a difference in the case of the fire fighters. It is argued, for example, that they did not wear the king's uniform. I do not think it ever entered the heads of any of the fire fighters that they were not wearing the king's uniform when they donned the uniform of the fire fighting corps for service in Britain. Certainly they were in uniform. It was said that they were not wearing khaki. Neither were the men of the naval forces wearing khaki nor the men of the air force. I think the longer this discussion goes forward, the more complicated the position the government is in becomes and the more completely untenable. It is argued that General LaFleche did not speak with the authority of the government. Let it be borne in mind that General LaFleche was a responsible minister of the crown for a long time.

Mr. MACKENZIE: Not at that time.

Mr. BLACKMORE: At one time.

Mr. MACKENZIE: Later on. You are all mixed up.

Mr. BLACKMORE: Did not General LaFleche sit in this house as a responsible minister of the crown?

Mr. MACKENZIE: Not then.

Mr. BLACKMORE: But he did sit here as Minister of National War Services.

Mr. MACKENZIE: Afterwards.

Mr. BLACKMORE: That is true, but the simple fact remains that all over Canada it was recognized that General LaFleche was a minister of the crown. Could a man in one of the remote parts of Canada be expected to know, when General LaFleche made that promise, whether technically he was a minister of the crown and thereby empowered to make it?

Mr. POULIOT: He was always irresponsible.

Mr. BLACKMORE: All I can say is that when he was a member of this house no one dared rise and tell him that that was the case.

Mr. CRUICKSHANK: We have had five irresponsible leaders of the opposition in this house within recent years.

Mr. BLACKMORE: I really do not see the connection between that remark and what I am saying. The point I was making was simply this. There was a considerable period of time during which General LaFleche was a responsible member of the government of Canada. He was a member of parliament and a minister of the crown. It must be conceded that he probably was not a minister of the crown when he made the promise to these men, but he certainly had been for so long a member of the government that anybody would be justified in accepting his word as being the word of the government.

The hon. member for Rosthern seemed to make a considerable amount out of the fact that General LaFleche said in 1944 that he was "trying" to get a certain thing done, but all he succeeded in establishing was that the government simply double-crossed General LaFleche. After he had made that promise to the fire fighters the government let him down. That is just about all that the statement of the hon. member for Rosthern amounted to.

Mr. TUCKER: I just wish to place this on the record because statements are being made here about double-crossing that I do not think should appear on the record in justice to parliament and to honest and honourable men.

I want to draw again to the attention of the committee the regulations under which these men entered the service. I have sat here and listened to a great deal and I propose to set the record straight. Here are the regulations, and on page 6 in black headlines is set out the intention of the government beyond peradventure or doubt. It says in black headlines: "Corps to be a civil defence organization". How can anybody say that there was double-crossing when right in the order in council and in the pamphlet placed in the hands of these men there appeared in black

My main purpose in rising is to draw attention to the fact that we seem to be getting this bill out of perspective. Even if I were opposed to this bill as some hon. members are I would not further delay the debate. I would try to keep in mind the legislation which this house has passed in the last couple of days. I would keep in mind the record of the government in accepting the recommendations of the committee. I think, that situation being as it is, this government or any government—if in point of fact an injustice is being done by this legislation—will find that the remedy lies at the hands of members of this house and changes will be made. Those of us who are not happy about this legislation are obviously not going to get any farther at the moment. We might just as well accept it, accept what we have got which is considerably more than we were offered at the beginning.

Mr. MACKENZIE: We have had a very fine debate representing the various viewpoints of the house. I think this committee is entirely in support of what is in the bill, but some hon. members would like to have some additional clauses. I wonder if I could not appeal to the committee to get ahead with what we have. This is the declared policy of the government and I think, in the interests of the fire fighters themselves, we should get along and finish this job.

Mr. IRVINE: There is much good sense in what the minister has said, and the reason we on this side did not oppose the bill on second reading was because of what he has just stated.

Mr. MACKENZIE: Will my hon. friend pardon me for interrupting him? The War Service Grants Act and the Veterans Rehabilitation Act which affect 1,115,000 Canadians passed this house in thirty minutes this afternoon, and we have already spent nearly two hours in discussing the problems of 400 fire fighters.

Mr. IRVINE: I appreciate that. I will tell the minister that I have not taken one minute of that time and I shall not take any more than one minute now. All of us were not members of the veterans committee and we are not acquainted with the details of this and other legislation. A distinction has been made between the fire fighters as a civilian group and the army as such, and on the face of it that seems reasonable. I should like to ask what the fire fighters were paid. Were they paid on the basis of the rates paid to soldiers or on the basis of civilian rates?

Mr. MACKENZIE: On the basis of the rates paid to soldiers.

Mr. IRVINE: If they were paid on the basis of the rates paid to soldiers, then I think the distinction was not made in time. The distinction cannot be made now when they were enlisted as soldiers.

Mr. MACKENZIE: No; as civilian fire fighters.

Mr. IRVINE: I understand what the minister's objection is, but I am trying to get over my viewpoint. While they are called a civilian group, in reality they were nothing of the sort. They were enlisted on the same basis as soldiers; they were paid the same rates and they should receive the same consideration in every detail as is given to all the rest.

Mr. MACKENZIE: They were not enlisted or attested as members of the fighting services.

Mr. LENNARD: Replying to what the parliamentary assistant had to say in connection with my quotation of what Major General LaFleche said in 1944, I would point out that he was merely qualifying his promise to the fire fighters in 1942. It was stated a few moments ago that heat and pressure or a sort of high-powered bombardment had been exerted in connection with the fire fighters. I want to assure every hon. member that at no time was any heat or pressure put upon me in connection with my stand with reference to the Canadian fire fighters. I did what I did because I conscientiously thought they deserved these rights.

Mr. MACKENZIE: I think everyone who knows the hon. gentleman will agree with every single word he has said.

Mr. KNIGHT: A great deal has been said to-night by hon. gentlemen on the other side about the dissimilarity of these men and the ordinary enlisted soldier. I rose once to reply to a statement made by the parliamentary assistant and I should apologize to you, Mr. Chairman, and to the committee for rising out of turn. You will have to put it down to my enthusiasm for the cause. The parliamentary assistant said that these men in their civilian jobs were not liable to go overseas, I mean from Great Britain to the continent, to take part in the fighting. While that is strictly true, I should like to place on the record the statement of these men about what happened when they were in England. This reads:

> We further offered our services anywhere in the world, on any battle front. One hundred men spent four and a half months taking specialized training to go to the continent with the invasion forces. We were attached to the British twenty-first army, with their army personnel as liaison officers. We expected to cross the

Mr. ARCHIBALD: When the government denies the responsibility of a deputy minister, and then on the other hand when it suits its purpose in the case of a man like Gordon when it is a matter of ten cents an hour—

An hon. MEMBER: Sit down.

Mr. ARCHIBALD: —it shows the hardened attitude on the part of the government.

An hon. MEMBER: Sit down.

Mr. ARCHIBALD: I can out-speak you.

The CHAIRMAN: I must ask hon. members that when the chairman rises they take their seats. The hon. member for Skeena has stated that he can out-speak any other member, and that may be true—

Mr. MACKENZIE: I challenge him on that.

The CHAIRMAN: —but it is improper for him or any other member of the committee to out-speak the Chairman.

Mr. MUTCH: To-night I am listening to this debate for the fifth time in less than a year. As I listen to it, I am reminded of the fact that we have already passed some eleven bills, ten of which I think deal specifically with the care of those who served in the armed forces. The whole ten of them have not generated as much heat either in committee or in this chamber as has this particular bill—and not just to-night.

I have been one of those who have, as recently as last week, and on various other occasions asserted myself for, and put forth claims on behalf of these fire fighters. But I am also one of those who have held and will continue to hold—and will make no apology for so doing—the view that there ought to be some measure of demarcation between that which is done for a civilian in any branch of the war effort and that done for those who were in the armed forces. In that I made one exception—I made it the other night, and I make it again now—and that is the case of the supervisors, which I shall not discuss now, but mention only to keep the record clear. I held the view then and I do now, that possibly there should be some differentiation between them and the fire fighters. But I am bound to say that I am not one who doubted or now doubts the fact that the fire fighters who left Ottawa to proceed overseas were in their own minds, and with justification, convinced that they had become without uniforms a part of the services.

Further to that, there was one observation made by an hon. member this afternoon—I do not remember which one—where he said that the fire fighters had fought fires in England under the same disciplinary terms as those under which the armed forces were operating. So far as I know, that is the only wholly inaccurate statement made in the discussion this afternoon. I think it has some bearing—in my judgment it has—because I am—

[Mr. Mackenzie.]

Mr. LENNARD: On a point of order, I was the only one who spoke this afternoon with respect to fire fighters, and I never said that.

Mr. MUTCH: I would have been surprised if the hon. member were in error, because he showed great restraint. However, it may have been this evening. I know the statement was made, and it is inaccurate.

As a member of the House of Commons, I am not completely happy—indeed I am not happy at all—about the situation which has arisen with respect to the fire fighters. I will be perfectly frank about it and say this, that, had it not been for the fact—to me it is a fact—that commitments were made—whether they were made with or without authority is beside the point at the present time, because they were not refuted by anybody who was in authority—I would not have urged in the committee, as I am prepared to urge here now that further consideration be given to those claims. But I am not prepared to go the whole way with this or any other group which is really a civilian organization. To my mind, there must be some point of discrimination between the volunteer military services and those who served, no matter how meritoriously, in any other branch of the war effort.

I do not intend to interject anything into this debate which will precipitate another discussion, but I am thinking of men who were test pilots and were never out of this country but who were engaged in an exceedingly dangerous occupation. I am thinking of those who worked on the ammunition dumps on our sea coasts and in the artillery camps. I was not much moved by the picture of a chap sitting on a ship loaded with bombs. People have been blown up in dumps and by explosions in our artillery camps. It seems to me too bad that this kind of emotionalism has crept into the debate. I would not suggest that the heat that has been engendered in debate is due to the name of the organization. I am inclined to think it grows out of the commitments made by certain members and perhaps by certain groups in the house before all the facts were fully before them.

Mr. TUCKER: May 8, 1946. It states:

Following for the Hon. Ian A. Mackenzie, begins:

Your telegram No. 72 of May 7. When fire fighters volunteered they faced risks as great as any, although they would be unarmed.

That was the attitude of General LaFleche.

Through official channels I did everything possible to assure them pay, pensions and other benefits, identical with those for members of the armed forces—

This is his attitude. Nobody denies it. He wanted to get these things for them.

—but could never, and did not, pledge. Chester Payne and Walter Wood know and file will show, as I dealt with my deputy minister, departmental officials and then with my colleagues. I believe any remaining discrepancies are worthy of your further consideration. Ends.

That is the attitude of General LaFleche when he was fighting for these people to get these things, so that they should have them. But he did not pretend that he had authority to promise them. That is the cable from General LaFleche, and it is accepted by the government as correct. It should be realized—

Mr. COCKERAM: On a point of order—

Mr. MACKENZIE: Order.

Mr. COCKERAM: I rise to a point of order.

The CHAIRMAN: Order; if the hon. member has a point of order he should state it.

Mr. COCKERAM: The parliamentary assistant has placed a cable from General LaFleche upon the table. I wonder if he would place on the table the telegram which he sent.

The CHAIRMAN: Order; that is not a point of order. Rather, it is a question which the hon. member could ask the parliamentary assistant.

Mr. TUCKER: I have no objection to placing on the table our cable. This is what it says:

Following for Major-General Lafleche from Ian A. Mackenzie, Begins:

Thirty fire fighters filed affidavit you pledged full treatment same as members forces. Claim rehabilitation legislation limited benefits to overseas is breach faith. Your confidential comment desired. Ends.

I have already placed on *Hansard* the cable from General LaFleche. Anybody who has anything to say about—

Mr. MACKENZIE: You have the whole story of that.

Mr. TUCKER: Anybody who has had anything to do with this sort of thing—any lawyer in the house—will know that you cannot go very far on the recollection four years later of a speech, when nobody made any notes of it. What was said in this house has been by affidavit, identical affidavits taken by these various members of the fire fighters. Everyone of them is identical. In other words, one has said, "This is my recollection", and the others all concur in it. The very fact that they are identical shows that it is based upon discussion between them, and they say now that that is their recollection.

Mr. GREEN: You think the affidavits are untrue?

Mr. TUCKER: The statement made by the hon. member for Wentworth, that General LaFleche at the very time that he was trying to do these things thought they should have them, showed why these people might possibly have that opinion now. That is borne out by what he says now in this cable. He thought they should have it, and he tried to get it. He was a deputy minister, and he had no right to pledge the government. Is it to be said by members of this house that if a deputy minister without any authority from a government goes out and makes that sort of statement, the government is bound then to carry it out? Is that responsible government? Is that what members of this house say?

Mr. POULIOT: What about Chisholm?

Mr. TUCKER: Somebody has said that these people enlisted upon the face of this so-called promise. My understanding of this matter is that these people were already signed up. They came to Ottawa to be looked over, reviewed, congratulated and talked to. They were already in the forces before General LaFleche made this alleged statement to them. So that any suggestion made that they were lured into the service—

Mr. PEARKES: Would the hon. member permit a question? Did he not say, or did not General LaFleche say he was using every influence to try to get the men to join?

Mr. MACKENZIE: Not to join, no.

Mr. PEARKES: Is that not the inference?

Mr. POULIOT: He was talking through his hat. He had no power of attorney.

Mr. TUCKER: I will read it again. This is what he says:

Through official channels I did everything possible to assure them pay, pensions and other benefits identical with those for members of the armed forces but could never, and did not, pledge.

Mr. MACKENZIE: The words are "could never, and did not, pledge".

adian fire fighters with reference to causes of death and pensionable disability which the fire fighters experienced. There are thirty-three members of the corps in receipt of disability pension.

Mr. GREEN: Out of how many?

Mr. TUCKER: Out of 405. One of them only sustained injuries as a result of enemy action; one out of 405. There were three deaths, of which one was due to enemy action. Therefore, out of the 405 fire fighters there were two cases of death or disability due to enemy action. I thought the committee would like to have these figures.

Section agreed to.

On section 2—Definitions.

Mr. LENNARD: I was ruled out of order a few moments ago on a question of privilege. I just wish again to draw the attention of the committee to the statement made by Major General LaFleche on April 24, 1944, as reported at page 2323 of *Hansard*. This is what he said:

I think I can save a great deal of time and speak as forcibly as anyone can and cover the entire ground when I say that my department is trying at this moment to make certain that members of the fire-fighters corps receive benefits identical with those granted to men who are discharged from the armed forces.

When the parliamentary assistant says that Major General LaFleche declared definitely that he did not make that statement I challenge him to state when and where he made it.

Mr. TUCKER: The very statement read by the hon. member contradicts what he has just said. In the statement he just read General LaFleche said, my department is trying to get these things done.

Mr. LENNARD: That was two years after.

Mr. TUCKER: Trying to get it done.

Mr. GRAYDON: What was stopping him?

Mr. TUCKER: The decision of the government. Our department has recommended that various things should be done and the government has not accepted it. We have tried to get certain things done, but because we say we tried to get them done it does not mean that the government has to do them. The very statement indicates that that was the attitude of General LaFleche; that he would like to have these these things done. The statement itself is an admission that he did not say that they would be done, or he would not have made that statement.

Mr. LENNARD: No, he would not.

Mr. TUCKER: I submit that is it. If I may I should like to read a statement in regard to a matter referred to by Mr. Winston Churchill.

Mr. LENNARD: Has the parliamentary assistant the statement?

Mr. TUCKER: The statement I should like to read is as follows:

Mr. Winston Churchill is quoted in the London *Times* of March 14, 1945, as stating that war gratuities would be paid to firemen on the same general principle but at three-fourths the rate that is payable to the armed forces, namely seven shillings and sixpence for each completed month of service. In referring to other groups who had contributed to the war, he stated that excluding them would cause disappointment, but that it was impossible to extend the concessions further without opening the door to an unending succession of new claims.

Mr. MACKENZIE: We pay them $15 a month for every thirty days of service.

Mr. TUCKER: I have already laid before the committee what we have done with regard to these people who served in civilian services. They were serving alongside of people in the civilian fire fighters corps of the United Kingdom doing their ordinary civilian work.

Mr. LENNARD: That is no comparison.

Mr. TUCKER: They were serving alongside of other A.R.P. workers, serving alongside other people whose duties kept them in London during the blitz. There were the merchant seamen who had to go into Archangel, who had to undergo all the dangers and difficulties of being torpedoed in those northern seas.

Mr. LENNARD: What has that to do with it?

Mr. TUCKER: There are all these various grades of civilian service. All I say is this, that it was felt by the government that when they went as far as they have gone in regard to this particular civilian group they had gone so far that, if they went a little farther, they would be admitting that this particular civilian group was entitled to practically the same rights as if they were in the armed services.

I have here the telegram from the Canadian ambassador to Greece, which sets out what he has to say about this matter. When so much has been said, and I have been challenged to put it on the record, I will now do so.

Mr. GREEN: What date?

Mr. TUCKER: We asked him to state actually what had happened.

Mr. GREEN: What date?

kenzie) to see that they would get a square deal. I shall have to take back that message and modify it a little bit when I go back. The fact is that a veterans affairs committee was set up and, since all of us could not be on that committee, we put our trust in the capabilities of those who were appointed members of the committee. I think it is generally recognized that the members of the committee did a good job. On two different occasions the committee voted on the question whether these fire fighters were to be given the same benefits as the soldiers, and on both occasions the contention on behalf of these men was upheld and the committee passed it. But when it comes to the government they just disregard the committee's proposals entirely. They set aside its recommendation, notwithstanding that we as members of the house put our faith and reliance in the government to see that the returned fire fighters should get a fair deal.

It seems a queer state of affairs that we should set up a committee of the house to investigate thoroughly all these problems; and, when they take evidence from all parts of the country, when witnesses are brought in from every section, and when the committee in their considered judgment, arrived at on two occasions, declare that these benefits should be extended to these men, the government takes it upon its own responsibility to disregard these recommendations. I fear that the country will not take this too well. Further than that, I wish to join with those who protested on the grounds that General LaFleche made this promise. As the hon. member for Lethbridge (Mr. Blackmore) said a moment ago, no matter how the government may endeavour to use it as an excuse to get out, the fact remains that when General LaFleche was deputy minister he made the promise in order to get the fire fighters to enlist. Therefore they were bribed into enlisting under the pressure of something which they believed would be given. It cannot be considered in any other light than a deception on these men who put their faith in a government official of no less standing than a deputy minister. The Minister of Veterans Affairs excuses the government by saying, "Oh, well, we cannot be responsible for that." If that be true, then it was the duty of the government to dissociate themselves entirely from the remarks made by the deputy minister; otherwise the men who joined the corps were justified in taking the remark as being true, more particularly when they were going on a mission of life and death.

It would not have been difficult for the government to dissociate themselves from the remark when they knew well that they had no intention of putting the promise into effect. It is not good enough for them to say now that it was given by an inferior member of the civil service. When the parliamentary assistant tries to imply that the fire fighters were not in as great danger as some of the others in the armed services he is belittling the work that these men did.

Mr. MACKENZIE: He never said that.

Mr. JOHNSTON: Yes, he did; he said they were not in as great danger as some of those in the front line. When these men went over there they were fighting fires under attack. They could not run to shelter; they were not a voluntary service in that respect. They had to stay there and face the music with no possible chance of escape. One hon. member said that they were guarding ships full of ammunition. That should not be taken too lightly at this time. In my opinion it is a disgrace to men who conducted themselves so valiantly overseas, who were promised these considerations, who were called the fourth arm of the service and who were given the definite assurance by the deputy minister that they would be given all the consideration of those in the armed services. It is not right for the government to back down now in the face of the fact that on two occasions the committee made this recommendation and that it was carried by a majority vote of the committee. Having regard to that fact, the government should withdraw this bill and reconsider it.

Mr. RODNEY ADAMSON (York West): I spoke on this matter at some length when the budget resolutions were before the committee, and I do not propose to take up the time of the house at length at this time. I merely wish to add my protest against the discrimination which has been shown to these men who were definitely promised that they would be given this consideration. Everything I said on that occasion still stands. As a member of the veterans affairs committee which, as has been said here to-night, asked for, and in fact voted that these men be given this consideration, I wish to protest against the lack of generosity in the bill.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Macdonald (Brantford City) in the chair.

On section 1—Short title.

Mr. TUCKER: There is just one set of figures which I am sure the committee would like to have in regard to the corps of Can-

Mr. TUCKER: I am speaking to a point of order. The point is this. It is said that this commitment was made by General LaFleche. General LaFleche denies that he made that commitment; others say that he did.

Mr. IRVINE: That is not a point of order.

Mr. TUCKER: My point is this. It is alleged that General LaFleche made that statement. General LaFleche denies that he did, and no member has the right to say that he did make it and then proceed to argue that there is a breach of faith.

Mr. LENNARD: When did Major General LaFleche say that he denied making that statement?

Mr. IRVINE: That is not a point of order either.

Mr. LENNARD: That is only on the word of somebody else.

Mr. BENTLEY: When the hon. gentleman who rose to the point of order can produce in this house a statement signed by General LaFleche denying it, and when the hon. gentleman can lay that statement alongside the one which all of us on the veterans affairs committee have, signed by thirty members of the fire fighters organization, in a letter committing themselves to get all the fire fighters living in Canada to sign that statement that General LaFleche did make the statement in question, then I will begin to doubt that General LaFleche said it. But until I see that signed statement by that gentleman to offset the statement we have, I must still believe that he made the statement in question, regardless of the denials coming from the parliamentary assistant to-night or at any other time.

Mr. KNIGHT: Mr. Speaker, in justice to the parliamentary assistant and certainly in justice to the fire fighters, it should be pointed out—

Mr. MACKENZIE: Order. Did not the hon. member speak before?

Some hon. MEMBERS: Yes.

Mr. SPEAKER: The hon. member has already spoken.

Mr. J. H. BLACKMORE (Lethbridge): Mr. Speaker, it is really quite astonishing to me to see the government bring in such a bill.

Mr. GRANT: Are you a fire fighter? You are a fire eater.

Mr. BLACKMORE: I am a member of the House of Commons. Perhaps that it enough. As I was saying, Mr. Speaker, I am surprised to see a measure of this sort brought in. I had always supposed that we granted rewards to our armed service personnel for certain considerations such as: that they had rendered service; that they had risked danger; that there had been disruption in their lives, with resultant financial and economic loss; that they had shown a willingness to place themselves at the complete disposal of the government, and so forth. In the case of these fire fighters, we find that these men have rendered excellent service. No one doubts that. They risked great dangers, loss of life and limb; their lives were disrupted, with resultant economic and financial loss. I know farmers who were in the fire-fighters corps who, in order to serve their country, disposed of their farms only to come back finding themselves with no farm. How were they to tell when they enlisted how long they would be called upon to serve? Finally, they had a willingness to go wherever they were told to go by the government of the country.

Under those circumstances, surely they have qualified for treatment similar to that which we accord to our fighting men. How can discrimination against them such as is contemplated in this bill be justified? It has been argued that General LaFleche, when he made the promise to these men, was only a civil servant. I see no disposition on the part of the government of Canada to treat lightly the pronouncements of Donald Gordon, who is also a servant of the government. His pronouncements seem to be surrounded by an air of sanctity.

It seems to me that the government has no defence for the position it has taken up in this bill, and, if this house is to reflect upon Canada that honour which it should reflect upon the country on this occasion, I believe it should ask the minister to withdraw the bill and reconstruct it in such a way as to give the men of this splendid corps treatment such as they have richly deserved.

Mr. C. E. JOHNSTON (Bow River): I would be remiss in my duty if I did not add my protest to the passing of this bill now. Over a year ago, before the veterans affairs committee was set up, I had the pleasure of interviewing a number of fire fighters, and particularly the fire fighters of Calgary and that district, who came to me in regard to their case. I pointed out to them on that occasion that I felt certain a committee of the house would be set up to deal with the matter and, rather foolishly I think, judging by the way matters have turned out, I told them that I put a great deal of confidence in the Minister of Veterans Affairs (Mr. Mac-

Sir Aylmer . . . spoke glowingly of the work of the Canadian fire-fighter corps, "which fitted in awfully well, worked hard, did any job under the highest pressure and usually in the most dangerous spot.

Actually there were members of this corps killed and other members wounded in Great Britain. When the raids were on they had to be out on the streets. Evidence to that effect was given before the special committee on veterans affairs; and, as other members of the house have pointed out to-night, the veterans affairs committee recommended that these overseas fire fighters be accorded all benefits, pensions, rehabilitation rights and income tax exemption accorded to members of the armed forces. We had the question up the other day when considering income tax, and the Department of Finance have now agreed to treat these men in the same way as the auxiliary supervisors, those men sent over by the Canadian Legion, Y.M.C.A., Knights of Columbus and the Salvation Army; the firemen are now to get exemption for one-fifth of their income. Further, this very government last fall brought in a bill giving the men of the auxiliary services and the fire fighters exactly the same allowances. I have here the draft bill then submitted to the committee on veterans affairs, and it treats these two groups in exactly the same way. But this year it is different. The house this afternoon passed bill No. 325, which gives the supervisors of the auxiliary services all the rights of men in the forces with the exception of income tax exemption, but the bill for the fire fighters leaves out quite a few of these rights. In other words, the two groups are now being treated in a different way. I suggest to that house that that is not right, but that the fire fighters' bill should be in the same terms as the bill for the supervisors which was passed this afternoon; and I would urge the minister, even at this late date, to comply with the recommendations made by the veterans affairs committee and treat these firemen just as though they had been members of the armed forces.

Mr. MACKENZIE: I can only speak with the unanimous consent of the house, because I formally moved the resolution. If I have that consent I should like to say a word.

Mr. GREEN: The minister can close the debate.

Mr. POULIOT: I hope that the minister will speak. We all like to hear him.

Mr. T. J. BENTLEY (Swift Current): I feel I must make a protest against this bill, on the same grounds as have been made before. The parliamentary assistant has pointed out that these people were civilians, that they were issued a pamphlet, more or less a bill of fare of what they could expect. All of this may be very true. He says also that there are other types of civilian workers in the war who may claim equal treatment with the civilian corps of fire fighters. I shall not debate that question now. But I protest against this bill and support the other members who have demanded that the fire fighters be included in all the benefits, because of the statement of General LaFleche. The parliamentary assistant said that the government cannot be responsible for what an officer of the government says. I am the last one, probably, in this house who would say very much in favour of private enterprise; but I cannot believe that one could find a company in Canada, no matter what other faults it might possess, which would repudiate a statement to any of its customers or anyone with whom it dealt that had been made by one of its highest officers.

Mr. MACKENZIE: He was not a government officer. He was a servant of the crown under the government.

Mr. BENTLEY: You can use that term or any word you like. My statement was that if any reputable company in Canada had a servant or an officer, call him by whatever name you like, who was responsible to that company, and who made a commitment on behalf of the company, that commitment would be honoured, no matter how severely that officer or servant might be dealt with for having made an error. This promise was made to these men.

Mr. MACKENZIE: Not by a minister of the crown.

Mr. BENTLEY: By an officer of the crown.

Mr. MACKENZIE: By an officer not charged with ministerial responsibility.

Mr. BENTLEY: I have the floor. I think I have made my position clear, Mr. Speaker, but if I have not I will do so again. I said that a reputable company would not do that.

Mr. JOHNSTON: Neither would a reputable government.

Mr. BENTLEY: One hon. gentleman says, "neither would a reputable government." Well, we are not debating that.

Mr. MACKENZIE: I am glad my hon. friend is standing for reputable companies.

Mr. BENTLEY: The point is that no reputable company would repudiate a commitment made by a responsible individual in their employ.

Mr. TUCKER: Mr. Speaker, on a point of order—

Some hon. MEMBERS: Order.

to fight wherever he was sent and the man who went into the service of his country in a restricted way. If you give to civilians exactly the same consideration as you give to those in the armed services who placed their lives at the disposal of their country without any restriction whatever, then those who did that might have some cause to think: Well, after all, there should be a little extra consideration given to the men who volunteered and placed themselves entirely at the disposal of their country. So that it was not a question at all of not recognizing the splendid work that these men had done, but it was felt that those who went into the armed services should get a little extra consideration because in volunteering and enlisting they placed themselves entirely at the disposal of their country.

Mr. SMITH (Calgary West): The minister said that these fire fighters went over for the civilian service. I wonder if he, as a fire fighter sitting on a ship loaded with munitions in a harbour in Great Britain, would think he was doing civilian work when at any moment he might be blown to hell and back again by one German torpedo or bomb. And they did that; do not let us have any doubt; they did it in Great Britain.

Mr. TUCKER: Merchant seamen did it right along. People working in munitions factories were working in very dangerous places. So were most of the people in Great Britain who were working in war factories.

Mr. SMITH (Calgary West): Certainly.

Mr. TUCKER: Then why pretend that these people were so different from thousands and thousands of other civilians?

Mr. SMITH (Calgary West): Because they sat on munitions ships to protect them from fire.

Mr. MACKENZIE: They did nothing of the kind.

Mr. GREEN: How many speeches is the parliamentary assistant going to make?

Mr. TUCKER: Do you object? I am giving the facts.

Mr. SMITH (Calgary West): Let him go on. It gets worse all the time.

Mr. H. C. GREEN (Vancouver South): The parliamentary assistant has based his argument on the order in council which was passed in 1942, and which, he says, sets out the conditions that were to apply to these firemen. That order in council does not mean a thing, because it was passed after these men, or certainly after a great majority of them, had been recruited, and neither the parliamentary assistant nor anyone else can properly contend that the men knew they were being recruited subject to those terms. He has made light of the promises given by Major General LaFleche, who at that time was deputy minister of national war services and was in charge of raising this corps of fire fighters. I have an affidavit here, sworn on August 3 in Windsor by Lester Barron, Robert Ferguson, Joseph Shilliday, Douglas Copeman, George T. Monk, Neil Brillinger, George Glabb and Donald Berneche, firemen, all of the city of Windsor in the county of Essex, and John Thornton, captain, fire department, Hedley G. Coates, deputy fire chief, and James Emmett Byrne, captain fire department, all of the city of Windsor. These men make oath and say:

1. That we were all members of the corps of Canadian fire fighters.

2. That we were present in Ottawa and were addressed by Major General L. R. Lafleche (then deputy minister for national war services) prior to our departure for service overseas.

3. That at the times referred to in paragraph 2 Major General Lafleche, in substance, assured us that we would be looked after in the same manner as the armed forces; that our families would receive the same protection and benefit granted to families of persons in the army and that we were to be known as the fourth arm of the services.

That affidavit was sworn five days ago before J. P. Holden, a commissioner for Ontario.

Mr. MACKENZIE: We have all seen that.

Mr. GREEN: Surely the government is not going to "renege" on a promise of that type. This parliament should stand behind the promise made by the deputy minister who was in charge of recruiting these men. Quite apart from what the men did, the government should stand behind that promise. And that is only part of the story. The hon. member for Wentworth (Mr. Lennard) told the house this afternoon very clearly what type of work these men had done. Other members have told the same story here to-night. I have here a press dispatch from the Ottawa *Citizen* of May 24 of this year, reporting a statement by Sir Aylmer Firebrace, C.B.E., R.N. (retired), chief of the British national fire service, at a civic reception and luncheon in his honour at the Chateau Laurier on May 23. The heading of this dispatch is:

Sent Canadians to hottest spots says Sir Aylmer.

And Sir Aylmer had this to say:

Because they wanted action, we sent the Canadian fire fighters to the hottest spots in Britain, Plymouth, Portsmouth, Southampton and Bristol . . .

which I put on record in the committee praising their work most highly. There is no suggestion that their services were not most highly appreciated.

Mr. HARKNESS: On what basis were our troops recruited at the outbreak of the war? Certainly they were not, so far as I know, promised any of these benefits which they now enjoy.

Mr. TUCKER: They were not enlisted as civilians. But the fire fighters were a special corps and the basis on which they were to serve was laid down in this pamphlet. The men who joined the armed services were subject to being sent wherever they were required. They placed themselves at the disposal of the government in every way, shape and form, and there did not have to be a pamphlet like this issued in their case. But the very fact that a pamphlet like this was issued shows that the fire fighters were joining a very special corps to do civilian work.

Mr. QUELCH: Did the government contradict the statement made by General LaFleche at the time it was made?

Mr. TUCKER: I think it was put on our records just what General LaFleche did say.

Mr. QUELCH: It was not contradicted by the government.

Mr. TUCKER: The government's policy in regard to fire fighters is laid down in the order in council, and General LaFleche had no power to alter the order in council. The fire fighters knew their terms of service because they all had a copy of this pamphlet.

Mr. SMITH (Calgary West): Did they know that General LaFleche could not change the order in council?

Mr. TUCKER: May I put upon the record exactly what is being done for the fire fighters? This table shows the benefits extended to them:

	Post-Discharge Benefits Fire Fighters
Clothing allowance	Same as armed services
Transportation on discharge to place of engagement	Same as armed services
Rehabilitation grant	To members who served overseas
Reinstatement in civil employment	Same as armed services
Free transportation to Canada of wife and children	Same as armed services
Pension	Same as armed services
Medical treatment:	
(a) conditions related to service	Same as armed services
(b) conditions not related to service	None
Veterans' Insurance	To members who served overseas
Veterans' Land Act	To disability pensioners
Unemployment insurance credit	None
Vocational and technical training	To disability pensioners
University training (including post-graduate)	None
War service gratuity	$15 for each 30 days' service overseas
Reestablishment credit	None
Out-of-work benefit	None
Temporarily incapacitated	None
Awaiting returns	None
Civil service preference	None
War veterans' allowance	None
Decorations	None
Exemptions from income tax	None
Assistance from dependents' board of trustees	None

Mr. BENTLEY: Did I understand the hon. member to include Veterans Land Act?

Mr. TUCKER: To disability pensioners, yes. I do not want to take up the time of the house—

Mr. BLACKMORE: Do not worry about time.

Mr. TUCKER: I am sure that everybody feels that this subject has been debated at considerable length. The fire fighters have deserved a great deal of consideration and that is why we are extending their benefits under this act. It carries the benefits quite a step farther in regard to vocational and technical training and benefits under the Unemployment Insurance Act. That is to meet the recommendations of the committee. But it was felt by the government that there should be some distinction drawn between the man who placed himself or was placed by the law entirely at the disposal of the government

an O.B.E. for their work on behalf of the services because we have passed eight bills to-day. I want to pay a tribute to what the fire departments have done, not only overseas but here in Canada. According to a return I got in 1944, we had $4,500,000 worth of damage done by fire in our camps while the troops were in training during this war. That is a lot of money and much of that loss was not insured. There was a large fire at Camp Borden, and only for the fortunate fact that the wind was blowing in a certain direction many people might have been killed. The same thing happened in the maritimes.

Some tribute should be paid to the fire departments of the country. During the last two great wars these departments, along with the police and street departments, provided hundreds and hundreds of recruits, many of whom were wounded and many of whom did not return. These recommendations in connection with those who went overseas are most commendable. While I am dealing with this particular question, I might mention that we have a fine fire chief, George Sinclair, who has been on duty for a long time and he was passed over when the decorations were handed out. When we leave this mortal body and take on the immortal body I suppose a few letters after our name will not make much difference. I believe in paying tribute to the men who have worked in our fire departments both in peace and war. I remember that the present Prime Minister (Mr. Mackenzie King) when a student at Toronto university, used to cover the fire halls and police court when Colonel Dennison was the magistrate, as a reporter for the *Globe and Mail,* and he took a great interest in the department at the time of the disastrous fire of 1905 in Toronto in which the father of our able present mayor, R. H. Saunders, K.C., C.B.E., was badly injured.

In adopting this bill, parliament will be paying a tribute long overdue to a fine body of men who by day and by night risk their lives to protect the life and property of the citizens of our country.

Mr. L. W. SKEY (Trinity): I am another member of the committee who feels that I cannot let this bill go forward without recording that I also regret its present form. To be brief, may I put on the record that these fire fighters for overseas service were recruited under federal authority and were asked to serve in the United Kingdom, but so far as the men themselves were concerned they were prepared to go anywhere. Had they been asked to serve in Burma, India, the middle east or anywhere else, it would have been the same thing to them. Sixty per cent of these men were trained fire fighters and they were directed into this corps because that was their trade. It may interest the house to know that a brigade of this fire-fighting corps embarked for France on D-day, but through some technicality they were recalled and did not enter France. But they never argued that that was not a part of their voluntary duties. I am sorry indeed that the government has not made good the promises which, if it did not put them in writing, were assumed to be a moral obligation on the part of the government, and I am sorry to see that these fire fighters are being penalized as to income tax, in benefits and even in decorations.

Mr. W. A. TUCKER (Parliamentary Assistant to the Minister of Veterans Affairs): Mr. Speaker, there has been the suggestion that promises were made to the fire fighters when they went into the service. I have here a pamphlet issued by the king's printer in 1942, containing the regulations pertaining to the corps of (civilian) Canadian fire fighters for service in the United Kingdom, as approved by order in council, P.C. No. 76/1656 of 3rd March, 1942. It sets out exactly the terms under which these men were recruited and were supposed to serve. If anyone is interested, I have no doubt that he can get a copy from the king's printer.

The pamphlet also sets out what they were to receive on discharge. We hear a lot about what somebody is supposed to have told them, but this pamphlet sets out in writing what they were told they were to get upon discharge. It will be found at page 17 of this pamphlet, under the heading, "discharge":

> Upon discharge, at the termination of his service or for medical unfitness or other cause, a member shall be provided with a transportation warrant to his home, together with such meal and lodging warrants as may be required. He shall be given a clothing allowance of thirty-five (35) dollars provided he has completed one hundred and eighty-three days of full service with the corps.

There is no suggestion whatsoever there that they were to be on the same basis as the armed services. But it does set down in writing the basis upon which this corps, which is definitely referred to as the (civilian) Canadian fire fighters for service in the United Kingdom, was raised.

In the face of what they were actually promised, I should like to put upon *Hansard* what is being done for the fire fighters. Incidentally I think we shall all admit that they did a good job. The head of the fire fighters in the United Kingdom wrote a letter

ing; we should be getting more than that." They will not be satisfied, and then we shall have trouble. But I shall not be responsible; I shall tell them what occurred in this house, and *Hansard* will be there as a record to show that I foresaw what was necessarily going to happen.

Mr. R. R. KNIGHT (Saskatoon City): Mr. Speaker, I am pleased that the veterans affairs committee has seen fit to recommend to the government that increased benefits be provided for this handful of brave men, and I am pleased also that the government has seen fit to follow that recommendation. I have argued previously in this house the case of the fire fighters, taking the attitude that they should receive equal benefits with those men who are commonly called the combatant veterans. Like other hon. members, I attempted to prove, and I think I did with little difficulty, that in some cases their task was equally arduous and dangerous as that of the soldier in the front line. However, I shall not go into that now.

There is one question I should like to ask with reference to section 6. I think this should be asked before we come to the section so that it may be passed at that time. I refer to vocational training. Prior to the war, some of these boys were not, as the hon. member for Davenport (Mr. MacNicol) has said, experienced firemen with technical training. Some of them were attending the universities of this country. I know one student of theology who enlisted. In the expectation that the benefits granted to the fire fighters would be increased, he went back to the university after returning from overseas and he has been there for a year. Perhaps I could have found out this information in another way, but I should like a definition of vocational and technical training benefits referred to in section 6. I should like that defined in terms of university work such as I have described. As I understand it, it would not cover university work; that, as it now stands, it means training a man to work with his hands for the purpose of fitting him to make his own living.

Mr. TUCKER: It does not cover it.

Mr. KNIGHT: All I can say is that I am very much disappointed. I do not see why a young lad at the university should not receive the same benefits. Unfortunately many people think of education as being vocational training only, and I had something to say about that in the budget debate. This man who is taking up theology or a man who is taking up an arts course to become a teacher, should be encouraged, and I appeal that these benefits be extended to cover the cases I have cited.

Mr. VICTOR QUELCH (Acadia): Mr. Speaker, I regret that the government has seen fit to bring in this bill in its present form, because I am satisfied the majority of the fire fighters will look upon it as being a breach of faith. Furthermore, it is in direct opposition to the wishes of the veterans committee. The veterans committee gave this question a lot of consideration. They listened to briefs by the fire fighters on two occasions and, as a result, came to certain definite conclusions. One of them was that the full benefits of veterans legislation should be made available to the fire fighters. It is well to remember that on two occasions a vote was taken and that each time the vote was in favour of full benefits being given to the fire fighters. This bill is being brought into the house in direct conflict to the wishes of the veterans committee.

I think the reason the veterans committee took this stand was obvious. In the first place they felt that the government was under direct obligation to make these benefits available in view of the fact that General LaFleche, then deputy minister of war services, had made that promise to the men upon their enlisting. The second reason is that, when they enlisted, the battle of Britain was on, and it was believed that these men would face hazards just as great as those faced by the men in the armed forces. If it is argued that the hazards to be faced by these men decreased greatly and their job became easier as a consequence and, therefore, they should not receive the full benefits, then I would point out that the same might be argued regarding many of the men who served in the armed forces.

An important point to remember is that these men volunteered for service overseas on the plea of the government. In many respects we treat the man who never went outside Canada more generously than we are treating the fire fighters. These fire fighters enlisted and went overseas, and it was not their fault that the blitz subsided and the work they had to do was less hazardous than was expected. Why should they be penalized because of that fortunate situation? I submit that, when a pledge was given by the government to men going overseas, that pledge should be kept and not broken merely for the sake of saving a few dollars.

Mr. T. L. CHURCH (Broadview): Mr. Speaker, the bill which is before us now is one of the most important we have had this session. I think the least that could be done is to grant all the members of this committee

retraining overseas to fit them to do the fine job they did could not have cost very much. When they went over they were fit and qualified to do their job. As a citizen of Toronto, I cannot, of course, be criticized for taking pride in the Toronto fire department, the job it has done in peace time, the masterly job it has done through the years, and what this large number of volunteers did overseas.

I know a number of these men—I have the names of nine of them here—and I shall close what I have to say by putting on record the names of these outstanding and practical firemen of Toronto. They are Dick Hake, Tom Kendall, Jim Gow, Tom Hogg, Charles Rowntree, Jr., A. Blackburn, M.M.—it will be noted that this man had won the military medal—Dick Wood, Dave Maxwell and Herb Magill.

Mr. JEAN-FRANÇOIS POULIOT (Temiscouata): Mr. Speaker, I wish to congratulate the hon. member for Davenport (Mr. MacNicol) upon the fine speech he has made. As a Canadian I am proud of the fire brigade in Toronto, just as I am of the fire brigade in every other city across Canada. However, under the able leadership of my honourable and very dear friend the member for Broadview (Mr. Church) the fire brigade of Toronto was particularly well organized.

My hon. friend's remarks bring to mind those cities which have chosen the most able men in every field of activity, so that the business of those cities might prosper and the taxpayers pay the least possible in taxes. One realizes when he goes to Toronto that the two most popular men there are, precisely, the hon. member for Broadview and the hon. member for Davenport. Even the taxi drivers speak highly of them, and I am sure many of them know no other men in public life than my two hon. friends. Surely that is some reward for their years of service and their accomplishments on behalf of the common people.

We have seen the Canadian fire fighters at work in front of this building, and we know they did exceptionally well. However, there is one thing that strikes me, and that is that the fire brigades have been so well organized in the various cities of Canada that it was possible for them to take the risk of sending some of their members overseas to fight the fires in the large cities of the British isles, and particularly in London. Those men deserve great credit. As a young boy I was always interested in where the fire brigade was going; we were always like that, and I believe we still are. Many people go to the window to look at them when they pass. Those men are well trained and do their work well. This is not only a tribute to the heads of municipal councils who have provided all our cities and towns with excellent fire protection, but also a tribute to the people of Canada who have taken upon themselves the risk of sending overseas for the protection of the British isles against fires precisely those men who were needed at home. Not only the municipal authorities but also the people of Canada generally should be commended upon that act of generosity. I wonder if the same thing would have been done by other countries if Canada had been exposed to bombardment similar to that which cursed the British isles. However, we must give everyone the benefit of the doubt.

Since those men did so well, I cannot see why the British government does not fix them up so that they will get from the United Kingdom, which has been showered with so many gifts of money from Canada, some reward. I admire the firemen. They went over there and assumed great risks, They did so for civilization, and for the civilization of the British isles. I wonder why the British government comes again to Canada begging—no, they did not come to Canada this time; they are reluctant to come—but the firemen are being helped by this country just because they were not given enough by the United Kingdom government. Here again I protest against this kind of legislation. I do not do this because I am not in favour of the firemen. I admire them just as much as do the hon. members for Broadview and Davenport and all my colleagues in this house. I admire them and realize that they deserve a lot, but that lot should come to them from England and not from Canada. That is my point of view.

This reminds me of the father—and I use a metaphor to illustrate my point—who had numerous children who were crying for bananas. He got sick and tired of hearing them, so that he decided to buy a large bunch of bananas. The children started to eat bananas that day and they had plenty of them and finally ate the whole bunch. Then the father bought another bunch and, after they had eaten a few of that bunch, they were all sick of them; they had eaten too much. The same thing is likely to happen to the men for whom this legislation is designed. They may get too much; they may become fed up with it all, and it will cause trouble.

After Jean François Pouliot has protested, it will be the men themselves who will show their dissatisfaction. I had an example not long ago of a boy who said to me, "We are getting only $60 a month for vocational train-

service considered then to be as dangerous as that performed by any human being in the British isles, whether in uniform or not.

At the next session of parliament he had this to say on April 24, 1944, as reported at page 2323 of *Hansard*:

I think I can save a great deal of time and speak as forcibly as anyone can and cover the entire ground when I say that my department is trying at this moment to make certain that members of the fire-fighters corps receive benefits identical with those granted to men who are discharged from the armed forces.

In conclusion, may I say that I want it clearly understood that I am not one who is merely advocating a greater government expenditure. I have never done that and I hope I shall never be guilty of it. I put forth these arguments merely because, in my opinion, these promises were made by a responsible representative of the government. They were left unchallenged when they were made; they were accepted in good faith and, in my opinion, they should be recognized. That is cricket.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

Mr. J. R. MacNICOL (Davenport): Mr. Speaker, the hon. member for Wentworth (Mr. Lennard) did such a good job that he left very little for anyone to say. I compliment him upon his contribution on behalf of all the firemen who participated in the serious work for which they volunteered overseas. But I would be derelict in my duty if I were not to say something about those gallant and efficient men who volunteered from the Toronto fire department to go overseas. I might say, Your Honour, there was a considerable number of them, and of that number a large proportion enlisted from Davenport riding.

I have used the word "efficient", because the captain of the Toronto fire department, Captain George Sinclair, is known throughout America as a chief who is efficient and who has raised high the position of Toronto firemen on this continent. Before proceeding to say what I intend to say, I should add that, during his seven years as mayor of Toronto, the hon. member for Broadview (Mr. Church) was to a great extent responsible for the high standard of efficiency of the fire brigade in that city.

To-day I received a letter from one of the fire fighters in Toronto who enlisted and went overseas. It is not my intention to read the letter, but only to state briefly what is contained in it. They are not complaining. They volunteered; they went over there to do their duty and were proud to have that opportunity. Some of them were wounded, while others made the supreme sacrifice. But, with all that, they were all gallant men who were proud to render a service during a great war.

This man tells me in his letter, however, that he and his buddies were away for two years, eight months and eleven days, or a total of 999 days. This particular correspondent's pay from the Toronto fire department, which pays good wages to its men was $2,624 a year. In the 999 days he was away, had he been home at his job with the Toronto fire department he would have earned $7,021, or within a dollar or so of that amount. While in the service he received $2.70 a day, with $35 a month separation allowance for his wife, or $3,942 for the 999 days he was absent. This meant a depletion in his income, or what would have been his income if he had remained at home, of $3,079. He tells me that he received—I presume as a gratuity, although I am not quite sure what it is called—the sum of $465. This means a net loss to that Toronto fireman—and, for all I know, to all of those Toronto men who enlisted—of $2,614.

The bill does say that, if they wish to have it, these men will receive vocational training and unemployment insurance. But to the professional firemen on the Toronto fire brigade those two items are of little significance. They will not require unemployment insurance because their positions are permanent. Then, the men in that fire department received sick leave, and all those other things which go along for the benefit of those who work for a city which pays its men as the Toronto city council pays the men of that city. Nor will they require vocational training.

I have been wondering what the department will give those men in place of vocational training and unemployment insurance. They suggest that they be granted the benefits of the Veterans Land Act which, as I understand it, would entitle them to assistance, provided that they took over a small lot close to the city. Some of them, of course, are pensioners. There is a suggestion that they be given reestablishment grants. I am not conversant enough with what the minister has in mind to pass comment upon it, but I am just passing on this information as it has been given to me.

Those men who went from the Toronto fire department—and I have no doubt the same would apply to others who went from other fire departments—were well trained. Their

what they knew best and they gave to that service their best. Several of these fire fighters were married men with families and would never have been called up by the armed services in any event.

I am sure that what I have said applies to all fire fighters who went overseas, some 400. They volunteered at a time when the national defence tax was being deducted at the source. None, however, was deducted from them. The same thing applied when income tax deductions were made at the source. If they were to have been taxed, the government as their employer erred badly in not deducting that tax. Those who paid the national defence tax for the early part of 1942 received rebates from the government. I wish to point out to the house that none of these deductions made by the Department of National Revenue were made at the source.

These men were all on the same footing as the Canadian army overseas. They came home and were discharged, and months after that they received notices from the revenue department—the good old revenue department—that they owed so-and-so in back income taxes. That is a fine reception, a grand finale to a job well done.

It is repeatedly stated that the corps was limited to service in the United Kingdom. I wish to quote a portion of paragraph 3, part I of the regulations, which reads as follows:

Purpose of corps—

3. The corps shall assist the national fire service in Great Britain in—

By the way, Mr. Speaker, the corps was considered by the British government as a fourth arm of the service and was on the same footing as those in the armed services. I continue:

The corps shall assist the national fire service in Great Britain in (1) the extinction of fires, and the protection of life and property in case of fire, in Great Britain, Northern Ireland and the Isle of Man; (2) the extinction of fires and the protection of life and property in ships and vessels at sea.

There is no restriction there. There was no limitation to their duties at sea, apparently.

Another angle that I wish to emphasize is that these overseas fire fighters were asked to volunteer to proceed to France on or after V-E day. The entire overseas force volunteered for this special duty, and from them were picked 100 men who were specially trained and attached to the 21st army group, and were ready to leave for France on V-E day. They were on the boat or on landing barges and they were taken off. They were fully trained and had army personnel attached to them in a liaison capacity. The only thing that prevented them from seeing duty on the continent was the mere fact that the raids in France did not develop as was expected.

[Mr. Lennard.]

Another matter that I feel should be emphasized is the fact that of the overseas personnel three were killed, five seriously wounded, three wounded, and twenty-seven are at the present time receiving pension. Some hoped to receive treatment. This is being denied them under the bill.

As is often the case, a man who served overseas with the corps applies to the civil service commission for a position as fireman. I know of one or two cases where this has happened. What happens when he applies for that position? He is turned down. Why? Because he is told that he was not a member of the armed service. He is told that, despite the fact that he is a full-fledged and experienced fireman who has served overseas. He is told that, because he was not with the armed service, he can get no civil service preference.

These fire fighters have received recognition from the British government in the award of the defence of Britain decoration. They have quite recently, as announced by the Minister of Veterans Affairs, been promised the latest service decoration, the war medal. I would urge that the government give consideration to awarding them the general service medal. This medal has been worn by all those in the service whether they left Canada or not, and I feel that these fire fighters who went over and did their bit should be extended that privilege. I hold in my hand an editorial which appeared in the Toronto *Daily Star* of August 1. This is a paper which usually supports the government, and has done so in recent years. I shall not read the whole article because we want to get along.

Mr. TUCKER: The hon. member would say it is a wise paper?

Mr. LENNARD: In this case I am quoting from an editorial which reads as follows:

Mr. Abbott said: "I do not know whether a promise was made or not."

The Minister of National Defence was referring to the promise made by Major General LaFleche. I continue with the editorial:

Mr. McCann would only say that General Lafleche "did not recall having made any commitment." It appears to be reasonably established that he did so, and while he may have had no authority from the government, a promise from the deputy minister was regarded as a governmental pronouncement by the enlistees.

I may say that in 1943 Major General LaFleche, as minister of war services, had this to say when he spoke in the house on July 22, 1943, as reported at page 5244 of *Hansard*:

But may I say that Canada will never forget the fact that these men volunteered for a

Mr. GREEN: As I read the section, it is not wide enough to cover business and professional loans under the other bill we passed to-day. Should it not be amended to provide that the supervisors may get the benefit of the loans? I am not sure either whether it covers educational allowances.

Mr. TUCKER: The veteran is described as a person resident and domiciled in Canada who has received or is entitled to gratuity under the War Service Grants Act. It gives all rights in regard to these rehabilitation benefits.

Mr. GREEN: That would include educational allowance?

Mr. TUCKER: Yes. As to the other point, about whether we are conferring on them the benefits that we have given other veterans under the Veterans Business and Professional Loans Act, that is not yet in force. It was certainly the intention that the supervisors should have the same rights except as to income tax as if they had been members of the armed forces. I am sure there is no objection to giving them the benefit of the Veterans Business and Professional Loans Act, and to that end we might have another subsection added.

Mr. ST. LAURENT: I would move that section 3 (a) be amended by adding a further subclause, 6, to read as follows: "business and professional loans act".

Amendment agreed to.

Section as amended agreed to.

Bill reported, read the third time and passed.

FIRE FIGHTERS

WAR SERVICE BENEFITS TO CANADIANS WHO SERVED IN THE UNITED KINGDOM

Hon. IAN A MACKENZIE (Minister of Veterans Affairs) moved the second reading of bill No. 326, respecting benefits to fire fighters who served in the United Kingdom.

He said: Mr. Speaker, I formally move the second reading of the bill.

Mr. F. E. LENNARD (Wentworth): In rising to speak on this subject, I beg to assure the house that I shall be only a few minutes. Mark Twain once said that a man could say all he knew on any one subject in twenty minutes. I am not going to take that length of time.

Mr. TUCKER: You have not wasted any time.

Mr. LENNARD: I may observe in passing that, with the exception of one or two important debates, if speakers were limited to twenty minutes the affairs of the house would be conducted in a more businesslike manner. I fully realize that this is the bill, and it will go through as it stands, regardless of what I have to say, but I cannot allow this opportunity to pass without pointing out certain facts.

In volunteering to do the job they were best equipped for, men from the Canadian fire departments answered the call of the dominion government, and accepted the dominion government's terms without question, just as volunteers did in any other service. They offered their lives if necessary, their limbs and their health. Their term of duty was for the war's duration, or as long as required, just the same as the armed troops. It has been said by a present responsible minister of the crown that the reason fire fighters did not receive full recognition was that they could resign from the service at any time they wished. I have a copy of a letter written in reply to a communication from a controller in Toronto which would lead one to believe that the members of the cabinet council, or some of them, did not have the actual facts before them, because regulation 30 reads:

> A member may be required to serve for the duration of the present war or as long thereafter as his services may be needed.

These men accepted comparable ranks and pay, the same allowances for their wives and families; they received the same treatment as regards medical examinations, medical care, pensions, discipline, clothing, feeding, travel, right down to the smaller items such as carrying Canadian army cards, being photographed and finger-printed by the Canadian army, and receiving similar discharge certification on discharge. Before these men went overseas, they were promised by Major General LaFleche, then deputy minister of war services—and he made the statement on more than one occasion, because these men left in drafts of fifty or so—that they would receive all the advantages that would be granted to the armed forces.

It has been said that some of these overseas fire fighters were conscientious objectors and had joined the fire-fighting corps to evade the army call-up. The boys who went from my part of the country—Dundas, Hamilton, Wentworth riding and the surrounding district, some twenty or so—had been volunteer fire fighters for a good many years; some of them were members of the permanent fire departments, and all of them had years of fire fighting experience and knew a great deal about the mechanics of that job. That was

SUPERVISORS WAR SERVICE BENEFITS

PROVISION WITH RESPECT TO AUXILIARY SERVICES

Hon. J. J. McCANN (Minister of National Revenue, for the Minister of Veterans Affairs) moved the second reading of bill No. 325, respecting benefits to certain supervisors in the auxiliary services.

Mr. G. S. WHITE (Hastings-Peterborough): I wish to say a very few words with regard to the provisions of this bill. The older veterans of the first war well recall the three associations named in this bill: the Knights of Columbus, the Salvation Army, and the Y.M.C.A., and the splendid services they rendered to the troops. In this war we had, in addition to these three associations, the Canadian Legion, and I am sure that if the hon. member for Temiscouata (Mr. Pouliot) were here at the moment—and I see he is not—even he would not find anything to object to in this bill, because all the supervisors as they are defined in this bill are Canadians; they all served outside the western hemisphere, and while perhaps they were not really part of the army, they were attached to the army for discipline, pay, rations, quarters and everything of that kind. It was only when the war started that the government realized that only these different bodies could render the type of service which was required, and, quite properly, they made the necessary arrangements for these four bodies to carry on.

With reference to the various provisions, there is one matter which I should like to mention to the minister, and that is regarding the amendment which he agreed to this morning in connection with a somewhat similar bill, as to benefits granted to persons recruited in Canada by United Kingdom authorities. The minister agreed to accept an amendment whereby he would remove the words "part I of" in section 3. By doing that, he would make the provisions of part II of the War Veterans Allowance Act applicable to the widows and children of these supervisors. I am sure, Mr. Speaker, that all hon. members, not only members of the veterans affairs committee but all members of the house, will be heartily in accord with the provisions of this bill. I know that the old soldiers of the first war have many pleasant recollections of the benefits and services which they received from these organizations.

Mr. POULIOT: I appreciate what the hon. member for Hastings-Peterborough (Mr. White) has said, and I will remind him that, although I try to be as conscientious as possible, I am not a conscientious objector.

[Mr. Harkness.]

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Macdonald (Brantford City) in the chair.

Section 1 agreed to.

On section 2—Definitions.

Mr. BROOKS: I want to ask a question with reference to the definition of "supervisor". Is that broad enough to include the helper and the man on the headquarters staff of the auxiliary services?

Mr. TUCKER: It was not intended to include that. It was just intended to include the supervisors.

Mr. BROOKS: I do not think, if I remember correctly, that was the intention of the committee. I think the committee felt that the helpers should be included as well.

Mr. CRUICKSHANK: They are dealt with separately.

Mr. TUCKER: As I understand it, "supervisor" means a duly selected and approved representative of these four groups who was attached to and served with the naval, military or air forces of Canada outside the western hemisphere. He must be a duly selected and approved representative and attached to these groups. Of course there were many individuals who worked with these groups but whom it is not intended to cover. This is, I think, an all-inclusive definition.

Section agreed to.

On section 3—Supervisors deemed to be veterans with entitlement under certain acts.

Mr. WHITE (Hastings-Peterborough): Would the parliamentary assistant agree to amend this section whereby "part I of" in paragraph (a) in subparagraph (iv) will be removed, as was done in the amendment of the bill to which the minister agreed this morning?

Mr. TUCKER: That is satisfactory. That was the understanding, that they should have all rights under the War Veterans Allowance Act, and it was our understanding that the bill gave them those rights. If there is any possibility of doubt it is quite satisfactory that the matter shall be made very plain, by deleting "part I of" there, and perhaps the Minister of Justice will move that "part I of" in section 3, paragraph (a) (iv) be deleted from the bill.

Mr. ST. LAURENT: I so move.

Amendment agreed to.

afford to pay the expenses of every soldier, nor do I think the great majority of these students expect it. I just wanted to make that clear.

Mr. QUELCH: I rise to support the bill in its present form. I think we are doing a very fine job in helping to establish the veteran. The amendment contained in this bill widens the scope of the act and will receive our support. It is true that the committee did receive a request from student bodies that the amount of the grants should be increased. Nevertheless the students made it quite clear that they appreciated very much what was being done for them. I know that a great deal of pressure has been put on the minister to get an increase in the amount of the grants to the student, but on the other hand, when one considers that university students are benefiting to a far greater extent than any other group of veterans I do not think the government would be justified in increasing the amount of the grants. It has been argued that unless there is an increase in the grants many of these students will have to give up their studies. This bill provides for taking care of that situation by making loans available to them, and no veteran who finds himself in a position where he cannot carry on his studies because costs are increasing should hesitate to take advantage of this legislation and obtain a loan.

Section agreed to.

Bill reported, read the third time and passed.

VETERANS REHABILITATION ACT

LOANS TO UNIVERSITIES—TRAINING OUTSIDE OF CANADA, ETC.

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs) moved the second reading of bill No. 333, to amend the Veterans Rehabilitation Act.

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

WAR SERVICE GRANTS ACT

PAY AND ALLOWANCES, SUPPLEMENTARY GRATUITY —ENTITLEMENT TO REESTABLISHMENT CREDIT

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs) moved the second reading of bill No. 334, to amend the War Service Grants Act, 1944.

Mr. D. S. HARKNESS (Calgary East): Mr. Speaker, I have no objection to the amendments, so far as they go, to the War Service Grants Act which are covered by this bill. There has been criticism that some of the amendments do not go far enough. Some are merely clarifications and nothing need be said about them.

There are four amendments which amount to anything. Two of them deal with gratuities, particularly the supplementary gratuity, and the other two deal with reestablishment credits. The ones dealing with gratuities mainly provide that a man who joins the permanent or interim force and takes a reduction in rank to do so shall not thereby lose part of the gratuity to which he would otherwise be entitled. That, I think, is sound and fair, and we are entirely in agreement with it. The other amendment dealing with gratuities fixes a cut-off date for men who join the permanent or interim force. There is no criticism of that. The third amendment deals with the extension to the widow of a soldier who may have died of the right to his reestablishment credit if the veteran had not drawn it before his death. That is a provision with which we are wholly in accord, and in my opinion it should have been written into the act to begin with. At the same time it impresses me as unfair that, because a man did the country a service by not drawing his reestablishment credit immediately, his wife should be penalized if he happened to die before he had occasion to use that credit. The only criticism I have is that I think the privilege should have been extended to the man's children. The amendment only provides that it may go to the widow and the dependent mother. The case of a man with dependent children, whose wife or whose mother is dead might well have been covered in the amendment, and I hope that that will be done at some future time. The fourth amendment is with regard to the use of the reestablishment credit to enable a veteran to pay off indebtedness on his home. Previously he had only been able to use this credit up to twice the amount which he himself paid. That is now being improved in that he can use it up to twice the amount paid, even though it was paid some years in the past. That also, I think, should have been liberalized so that it would not have been necessary to limit the amount of this reestablishment credit that he could use to twice the amount he paid himself. That is another change in the act which I would also hope to see instituted.

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

Mr. GREEN: There is not much point in setting off one group of veterans against another.

Mr. McKAY: What about the Veterans' Land Act?

Mr. TUCKER: The hon. member comes from Saskatchewan, and he should be the last to suggest that we are doing too much for the men going on the land in Saskatchewan.

Mr. McKAY: I did not suggest that; I simply asked as a matter of information. I think the hon. member should withdraw his remark.

Mr. TUCKER: I did not make any improper remark.

Mr. McKAY: You said I was the last one that should be suggesting that.

Mr. TUCKER: I said you are the last one who should suggest that. Why did you mention it?

The ACTING CHAIRMAN (Mr. Golding): I would remind the hon. member that an hon. member who is speaking should not be interrupted without his permission.

Mr. McKAY: I was speaking on a point of order.

The ACTING CHAIRMAN (Mr. Golding): If the hon. member wants to raise a point of order, that is quite all right.

Mr. McKAY: On a point of order, I want that withdrawn. I did not make any such implication.

Mr. TUCKER: If the hon. member just wished to ask me why we are giving so much under the Veterans' Land Act—

Mr. McKAY: I did not; I said, "What about it?"

Mr. TUCKER:—and did not want to make any suggestion about it, I accept that. I suggested that he was finding fault with what we are giving under the Veterans' Land Act, but if he was not, that is all right. If a man goes on a farm there is considerable risk and so on, and if he does not get a certain equity he cannot hope to make a success.

Mr. McKAY: On behalf of this group I wish to support what the hon. member for Vancouver South suggested with reference to these university grants. Several members of this house have benefited by that paternalism which the Minister of Veterans Affairs suggested was not so good and incidentally almost abhors. We have several Rhodes scholars in this house, and I consider it an honour to have them here. I do not think there can be too much subsidization for education. I would remind the Minister of what the poet said:

> A little learning is a dangerous thing,
> Drink deep, or taste not the Pierian spring.

I would suggest that if any of these boys or young ladies are unable to complete their full course at the university it might mean that some of our best brains would be lost to Canada.

Mr. MACKENZIE: I completely and definitely and emphatically repudiate the suggestion of the hon. member that I had said the state should not assist education. I know the value of education possibly more than my hon. friend does. I came up the hard way.

Mr. McKAY: So did I.

Mr. BROOKS: I do not wish to prolong this debate, but there is one point I wish to bring up. The hon. member who has just spoken (Mr. McKay) has said that his group was supporting a certain idea.

Mr. McKAY: And it still does.

Mr. BROOKS: May I point out that in the committee we acted as individual members and soldiers, and party views were not expressed?

I do not agree entirely with the hon. member for Vancouver South in what he said, nor do I agree entirely with the sentiments expressed by the minister. I take a sort of half-way course. But I feel that in what we are doing for these students the country is only paying a debt that it owes to these men. I was pleased indeed to hear the minister's parliamentary assistant speak of the good work that these students have done. I had an opportunity of visiting some of the universities, and I know that the returned soldiers are leading their classes all along the line.

As to the comparison which the minister makes between the cost of education to-day and fifty years ago, one can hardly make such a comparison because I remember that when I attended university I paid $3 a week for board and my son who is now attending pays $14 a week for board. As the minister says, the real comparison is between the different kinds of rehabilitation benefits our veterans are getting.

We must also consider what the country can afford to pay. If this country could afford to pay the expenses of every soldier at university I would have no objection at all but I do not believe that the country can

is no political value of any kind in it. We have been very generous to them; let us not be too generous. We shall have approximately 38,000 in the universities next year at a cost of about $4,000 apiece. That is what is being given to those who are privileged to go to our universities when we give only $400 to the boys who are receiving just the reestablishment credit. I say it is fundamentally unsound.

Mr. GREEN: What about my two suggestions: first, the transportation allowance and textbooks, and then the dependents board of trustees.

Mr. MACKENZIE: We considered that very carefully. I want to say honestly and sincerely to my hon. friend that we felt it would be creating additional discrimination. That is the final answer. As my hon. friend knows, under section 5 (a) there are alternative benefits provided to students at the university. The first duty of this parliament is to be as fair as possible to all veterans who have served.

Mr. GREEN: What about the dependents board of trustees?

Mr. MACKENZIE: Of course that is a matter that could be considered. It has not as yet been considered.

Mr. GREEN: Would it not be possible to do something of that kind?

Mr. MACKENZIE: Not at the moment, no.

Mr. TUCKER: Just so that the members of the committee may have the actual figures, which are much more encouraging than the hon. member for Kamloops indicated—

Mr. FULTON: I used the figures that were supplied to the committee.

Mr. TUCKER: I have the figures up to July 31, 1946. First, I should like to say that these students have made a wonderful record, and all the university presidents are delighted with their showing. The numbers at present in training are as follows:

Post-graduate	1,138
Undergraduate	21,130
Pre-university	15,840
	38,108

Those discontinued to date are as follows:

Post-graduate	64
Undergraduate	1,436
Pre-university	1,429
	2,929

The total since inception is as follows:

Post-graduate	1,202
Undergraduate	22,566
Pre-university	17,269
	41,037

The analysis of discontinued cases, university and pre-university, since inception is as follows:

University graduation	324
Employed before completion	1,055
Entitlement expired service	401
Failed in year's work	368
Transferred to vocational training	422
Ill-health	165
Re-enlisted	184
Financial reason	10
	2,929

I should like to comment upon the fact that only 368 failed, which I think is an amazing record. Then there were only ten discontinued for financial reasons.

Mr. GREEN: We include the ten hundred in that reason.

Mr. TUCKER: Those are the actual figures and I think they indicate that this programme is working amazingly well. Great credit is due to the universities which have accommodated these 38,000 extra students, and it is a great credit to the students who have come back and were ready to enter these courses and make a real success of their studies.

There is one thing more I should like to say. I think most of the university graduates in Canada to-day went into debt in order to get their education. Most of the boys I know did that.

Mr. FULTON: Most of them were a good deal younger.

Mr. GREEN: They were not married either.

Mr. TUCKER: I was not, and then I did not have nine children either. Eighty per cent of the veterans will get the reestablishment credit, which averages a little under $425. The number who will receive these university grants is approximately 40,000 which, as the minister stated, amounts to $4,000 apiece. There are about 100,000 who will receive vocational training. The figures which I have up to date show that this will cost about $9,100,000, or approximately $910 apiece. Then there is the Veterans Land Act under which we hope to settle 100,000. In that case the maximum grant is $2,320.

There is something else I should like to put to the members of this committee. If a man has the ability to go through, say for medicine, and the state advances him sufficient to get a medical degree, to the extent of $4,000, even though he has to go into debt for $1,000 or $2,000, I think we are doing infinitely more for that man than we are for the man who is receiving a reestablishment grant of $425.

In other words, the committee found that the allowance is not sufficient for some of the married men who have not suitable housing; and they based their findings on the fact that the government—

Mr. MACKENZIE: Which committee is that?

Mr. GREEN: The university advisory committee. They based their findings on the government only being responsible for board and lodging, which was not the basis for the fixing of the allowance at all. The committee based their findings, further, on the students being able to work in the summer. As I have pointed out to the minister, many students cannot do that because they take courses in the summer months.

I do not think the minister will dispute that it was his intention to get at least a text-book allowance and transportation allowance for these university students. I understood that that was to be done. About two weeks ago a Canadian Press dispatch appeared in the papers to the effect that the Department of Veterans Affairs had recommended that student veterans at universities be given $5 a week commutation allowance, if they had to travel a certain distance to school, and $5 a month text-book allowance. The report went on to say that the veterans affairs committee, if you please, had rejected that recommendation.

Mr. MACKENZIE: That was wrong.

Mr. GREEN: I raised this matter on a question of privilege, and the minister admitted that the veterans affairs committee had never rejected any such proposal.

Mr. MACKENZIE: Correct.

Mr. GREEN: But that proposal did not just come out of the air. I suggest to the minister that that was the original intention of his department, namely, to provide for allowances such as were set out in the dispatch. They would certainly have helped a great deal, and I still suggest to the minister that he give consideration to allowances of that type.

If he cannot do that, I suggest that he make provision whereby the dependents trustee board would be able to help out needy cases. There is not the slightest shadow of a doubt that, particularly among married veterans, there are many cases of real suffering. These young men, backed by their wives, are going through great hardship in order to obtain university degrees. I know of cases where there has been sickness or, as this young wife says, where there have been additions to families, with great hardship as the result. Why would it not be possible to give power to the dependents trustee board to help out in those cases of hardship?

I should like to have a statement from the minister, first as to the possibility of some arrangement of that type being made and, second, as to this phantom allowance for commutation expenses and for textbooks.

Mr. MACKENZIE: My hon. friend has made his usual human appeal in regard to the situation. But when one analyses the whole picture of what the taxpayers of Canada are doing—and generally in matters of this kind I am on the aggressive side, although on this occasion I am on the defensive—he must keep in mind the $693,500,000 being spent this year, the contingent liability of a billion and a half dollars for the next four and one-half years, the matter of the uniformity of treatment, the matter of the average cost per student who is taking university training as paid by his fellow taxpayers in Canada, a cost of about $4,000, when the maximum grant to the settler on the land is $2,320 and the amount for vocational training, $1,120—

Mr. GREEN: Twenty-three hundred and twenty dollars.

Mr. MACKENZIE: I said that, did I not? Vocational training $1,120. Then the reestablishment credit to the great bulk of the 1,125,000 soldiers, airmen and sailors who served Canada in this war and who will not get these other benefits amounts to an average of $400. The hon. member is a sincere friend of the veterans and has been for many years, but I say to him that if you go too far in one direction you are going to create resentment in another. The policy we have been trying to establish, possibly not successfully, is one of equality.

Mr. GREEN: You started this university training; why not see it through?

Mr. MACKENZIE: We are seeing it through. I was through it myself and on a much tougher scale. These men can get through on $60 a month for a single man and $80 a month for a married man, with allowances for dependents. I know I am saying an unpopular thing, but I do not care a bit about that. My heavens, if I had had $60 a month when I was going through—

Mr. GREEN: You would have considered yourself a millionaire?

An hon. MEMBER: You would not have graduated.

Mr. MACKENZIE: Let us have a sense of balance in this thing, because honestly there

Mr. GREEN: —therefore I have to be careful. But I suggest to him that there have never been a finer type of young manhood and young womanhood produced than the young men and women who fought this country's battles in the second world war.

Mr. MACKENZIE: We agree with that; that is not the issue.

Mr. GREEN: No one can question that they are certainly the equals, and perhaps the superiors, of those who served in the first world war. This whole question comes down to whether or not the investment this country is making in these young men and women is to be lost. It is not a question for a lot of excitement and emotionalism; it is purely a question of investment. I would point out to the minister and to the committee that twenty-five per cent of the veterans who are attending universities are married men. That is a condition which did not exist after the first world war. We have never had a situation like it in Canada.

Mr. MACKENZIE: Under the present bill we are making provision for loans to these married men.

Mr. GREEN: Well, if you were a married man you would understand these problems better than you do.

Mr. MACKENZIE: Thank you very much.

Mr. GREEN: Surely the minister knows that these young veterans will think twice before they will incur an indebtedness of $2,000 or $3,000 to get a university degree, particularly when they have wives and children to support. That means that when they start out in civilian life, after receiving training, they have that tremendous burden on their backs. I am quite sure many of these young men will decide that the game is not worth the candle—

Mr. MACKENZIE: No, they will not.

Mr. GREEN: —and they will not go ahead with their courses. In its wisdom, the government decided that young veterans would be given this chance to get university training. It was a splendid move, and it will reap wonderful dividends for Canada. What worries me is the danger of losing that investment.

I have had letters from many of these veterans. I have one here, received this week, from the wife of one of these student veterans, which I shall read to the committee. This woman's husband is a student at the university of British Columbia, and she says:

I am the wife of a U.B.C. veteran. It is absolutely impossible for us to live on the government allowance. We realize that it is wonderful that the boys are being given an opportunity to receive a university education, but after all it is nothing more than they deserve. My husband, like millions of others, gave the best five years of his life to his country. He is twenty-six now and had the war not come along he would be well-established in business. As it is now he has to start at the bottom. I'm not not complaining or even hinting that he is sorry he enlisted in the active army very near the beginning of the war, but don't you think they are entitled to a living when they come back?

I am working and in that way we are able to scrape by, but in the event that we should have an addition to our family, we should find it impossible to live on the allowance alone. I feel that as long as the government says that they will pay the education and give the boys a living allowance while they are attending school, they should see to it that it is a living allowance. The only way one could manage on it would be to pay $8 per month rent and as you well know, such places are not to be found these days.

You might say that the boys should be able to earn enough during the times they are not at university to put to their allowance and make it sufficient to live on. Well, since the boys have lost so much time being in the army for a number of years, I think they are entitled to take advantage of these "speeded-up" courses they are offering. In that case they are given very little free time in which to work. They have to complete a year's course in two subjects in six weeks. That takes a lot of studying.

As the minister knows, that is so. At the university of British Columbia there are hundreds of these men taking special courses this summer.

Mr. MACKENZIE: I have exactly the same letter.

Mr. GREEN: It continues:

I sincerely hope you see the point in the boys' asking for increased grants. They have given so much, it is up to the government to do the giving now.

The first year is past. These men have used up their gratuity. The minister himself told the committee that of the 2,740 who had dropped out, over 800 had gone to take employment. We submitted to him then, and we submit to him now that many of them left because they could not carry on with the allowances they were being paid.

Then, this afternoon, the minister referred to the advisory board, comprising men from different universities, and said that they agreed with these allowances. Well, here is their statement read before the veterans affairs committee, as set out at page 683 of the proceedings:

Summing up, the committee was of the opinion that if employment is available during summer recess and if the government confines its responsibility to board and lodging, the present training allowances are adequate for all but a relatively small group of married veterans without suitable housing.

Provide any university in Canada with moneys whereby and wherefrom the university may make small loans to meet emergency conditions among veterans who are being paid allowances pursuant to sections 8 and 9 of this act.

Mr. SPEAKER: Order. I would remind the hon. member that we are on second reading of the bill. He should discuss only the principle, and not the different sections until we get into committee.

Mr. HERRIDGE: The previous speaker referred to this section and I was replying to him. I believe that the previous speaker clinched my argument by saying that possibly at the conclusion of the university course the student would be short possibly $1,000 or $1,500.

Mr. FULTON: Barring any other development; that is the minimum.

Mr. HERRIDGE: Yes. Apart from that, Mr. Speaker, I do not think the party to which my hon. friend belongs has always considered it reasonable to provide for all the vicissitudes of life or things which might happen.

As I said before, the hon. member said that a student might find himself in the position where he owed $1,000 or $1,500. We should face this question realistically. After the amount of money which will have been granted to the students, which will, I understand, average something over $4,000 each, has been expended by the people of the country, surely no Canadian who is anxious to improve his own circumstances and to play his part is going to take exception to finishing his course with a loan of possibly $1,000 or $1,500. I believe that the provision made in paragraph (a) of section 5 covers the situation, according to the information presented by the representatives of the university students.

Mr. SPEAKER: Order. We are discussing the principle of the bill. I suggest to the hon. member that he wait until we are in committee before he discusses the different sections.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Macdonald (Brantford City) in the chair.

The CHAIRMAN: We are considering bill No. 327.

On section 1—Supplementary grants to universities.

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs): I just wish to say one word. We had a university committee consisting of some of the most distinguished members across Canada investigate the whole sphere and scope of the adequacy of allowances. I made certain remarks before the veterans affairs committee which have been extremely criticized—I do not mind that—in my home city in regard to the fact that the allowances are inadequate. If $60 for a single man and $80 with allowances for a married man are inadequate, it would have meant untold wealth to me when I was struggling to pay my own way through university in the old days. I hope this nation in being generous will never lean too far toward paternalism. That is the danger which exists in this situation to-day. I want to tell every party in the house that there is not the slightest political advantage to be gained in advocating higher rates for university training, because no nation in the world has made a more generous investment in its future or in the future of its higher education than has Canada, which will probably have 35,000 or 38,000 students attending these courses next year. According to my information, so far only nine have been constrained to abandon their courses as a result of financial necessity. To me $60 would have been a goldfield.

Mr. GREEN: That was fifty years ago.

Mr. MACKENZIE: Yes, but fifty years ago developed men.

Some hon. MEMBERS: Oh, oh.

Mr. BROOKS: You will have to prove that.

Mr. MACKENZIE: I think the story of the nation will prove it. Paternalism will never develop men.

Mr. McKAY: Time will tell.

Mr. MACKENZIE: You believe in individual enterprise. What does that mean? It means the striving of the student against odds, and it is the finest thing you can get any nation to do. Subsidization of the student by the state is a most dangerous thing in connection with developing free enterprise and brilliance in university courses that one can possibly adopt. When I say that I know I am saying an unpopular thing; I do not care, but it is the right thing to say. I have no sympathy whatsoever for these people who tell me that they cannot go through on $60 for a single man and $80 with allowances for married men. They can. I am against all this agitation, strongly against it, and I will say so on any platform in Canada.

Mr. GREEN: The minister has said a few words about the type of men produced fifty years ago. I am in that class myself—

Mr. MACKENZIE: We are together there.

running into debt at the rate of $300 a year and, in many cases, considerably more. That was an average figure. So that at the end of four or five years, barring any emergencies, they would be approximately $1,500 or $2,000 in debt on the average.

At about that time the Minister of Veterans Affairs (Mr. Mackenzie), while in Vancouver, made a statement in a public speech which afforded a great deal of encouragement to many veterans. What the minister said on that occasion was summarized in the Vancouver *Sun* of June 27, 1946, as follows:

> Order in council bringing "improved" benefits to war veterans attending Canadian universities is expected to be passed by the federal cabinet next week, veterans affairs minister Ian Mackenzie said to-day. While the minister said he could not specify what added benefits the new schedule would bring student veterans, he declared that the government planned "fairly substantial improvements for the men."

As I understand the position, the only order in council which was passed was the order in council now embodied in bill No. 327. That bill, however, makes provision only for grants to universities to enable the universities themselves to make loans to the veterans. It in no way extends grants to veterans and, inasmuch as the universities will only extend loans to veterans, it makes no change in their financial position. They will still finish with the same amount of debt as if the order in council or this statute had not been passed. Bill No. 333 merely introduces a number of technical amendments into the act and makes no change in the financial effect of it. Therefore the lack of fulfilment of the minister's statement merely had the effect of disappointing the veterans without meeting the situation.

In the light of these facts, it is interesting to look at the statistics as to the number of veterans who have left universities since the inception of the plan. These statistics will be found at page 1407 of the proceedings of the veterans affairs committee, and they show that 2,470 students have discontinued their courses, of which number nine left for financial reasons, while 841 left to take jobs before completing their courses. In view of the information given the committee by the organizations which presented briefs, it is a safe assumption that these students left, not because they preferred to take jobs rather than to complete their course, but because they had to take the jobs for the reason that they were financially unable to complete the courses. This means that 850 out of 2,470 left for straight financial reasons or because they had to take jobs. In other words, thirty-one per cent of the total number up to that date left for financial reasons. The information we have is that a great many more will leave this summer. I have heard that the number will be as high as fifty per cent in some universities. However, that is in the future. I have given the statement that was made by the students themselves, and we have no figures on which to base definite predictions for the future.

Unfortunately, the only amendment we can move to take care of the situation is one that would involve the expenditure of public funds. It was urged that the grant for married veterans be increased to $100. The attempt we are making to-day is to show that the act, as it stands at present or as it is about to be amended, will not take care of the position of the married men at the universities who are running behind at the rate of $40 a month.

I would conclude by urging the minister to fulfill the implication contained in his speech as reported in the newspapers on June 27, so that veterans may be able to take advantage of the legislation and we shall not be in the position of spending a great deal of money on veterans and having it wasted because the veteran is unable to complete his course, because those who have looked into the situation are convinced that large numbers will be forced to discontinue their courses. I should like to conclude by reading the following submission:

> In conclusion, student veterans, and especially married, have adopted every means possible to keep going. We submit that they will still try in the future, but that the case is obviously that they won't be able to unless, at least in the case of married, a substantial increase is made in the allowances.

Mr. H. W. HERRIDGE (Kootenay West): I listened with interest to the remarks of the hon. member for Kamloops (Mr. Fulton). I would expect him to put forth that argument. Being a Rhodes scholar, he would naturally argue for increased grants to university students. The committee gave this question a great deal of consideration. I listened with great interest to the representations put forth by the representatives of the university students. I must say I am quite sure that the committee were sympathetic to the necessities of university students; but, after listening to the presentations and considering the bill which was presented to us by the government, and which was considered previously by the committee, I am quite frank in saying that the government has, in my opinion, been most considerate in this respect. Paragraph (a) of section 5 of bill No. 333 reads:

that the interest rate shall be 3½ per cent. It is therefore an imposition on the revenues and taxes of the people.

Mr. GILLIS: We are reducing it, not increasing it.

Mr. MACKENZIE: The hon. member for Melfort has very kindly but bluntly suggested that we subsidize the difference.

Section agreed to.

Mr. McKAY: On division.

Mr. GILLIS: What is the difference?

Sections 4 to 13 inclusive agreed to.

Bill reported, read the third time and passed.

VETERANS REHABILITATION ACT

SUPPLEMENTARY GRANTS TO UNIVERSITIES

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs) moved the second reading of bill No. 327, to amend the Veterans Rehabilitation Act (university grant).

Mr. FULTON: Mr. Speaker, I just spoke to the minister a few minutes ago and suggested that items Nos. 15 and 19 on the order paper be called together. No. 19 is bill No. 333, to amend the Veterans Rehabilitation Act. I suggest that both measures deal with the same subject.

Mr. MACKENZIE: Yes, certainly. Mr. Speaker, have I your permission and the permission of the house to move at the same time the second reading of the concomitant bill?

Some hon. MEMBERS: Agreed.

Mr. E. D. FULTON (Kamloops): Before the second reading is carried, I have some remarks to make. Both bills, Nos. 327 and 333, are amendments to the Veterans Rehabilitation Act, and both have largely reference to the facilities afforded to veterans in university and vocational training. Briefly, the attitude of our party can be summed up by saying that the bills are quite acceptable as far as they go, but they do not go nearly far enough.

The minister summarized the effect of these bills in his general statement on July 30, as will be found at page 4087 of *Hansard* in connection with bills Nos. 327 and 333. Of that summary we have no criticism to make. In stating that the bills do not go far enough, the basis of our position is that the veterans will not actually be able to take advantage of this legislation because the benefits extended are not sufficient, and to that extent we are in danger of wasting the money which parliament has indicated it is willing to vote for the purpose.

In order to make that point clear, I should like briefly to summarize the present position as regards vocational training and university attendance on the part of veterans. The deputy minister of veterans affairs recently made a statement that it was expected that a maximum of 40,000 veterans would take advantage of the act to receive university training while 70,000 would take vocational training. He placed on the record a statement as to the importance of the act when he appeared before the veterans affairs committee. This will be found at page 682 of the report of the proceedings of the committee:

> It goes without saying that after enactment of a programme that has attracted over 30,000 veterans to our universities our department is vitally concerned that no appreciable number of veterans are compelled to give up their course on financial grounds.

It is largely with respect to university students that the criticism made to-day is offered, and it is particularly to that statement of the deputy minister that I wish to relate my remarks, because the point we make is that the grant is not sufficient and that, therefore, there is grave danger that many veterans who have so far taken up university courses will not be able to complete them because of serious financial embarrassment.

The position of the veterans was fully discussed before the veterans affairs committee when briefs were presented by the national council of student veterans and a separate brief was read by the university of British Columbia branch of the Canadian Legion. It was pointed out that under the present grant of $80 a month for the married veteran attending university the veteran incurs an average deficit of $43.50 a month. That statement is to be found at page 1407 of the report of the committee's proceedings:

> The dominion bureau of statistics figures given to the committee by the deputy minister reveal that married student veterans have borne deficits averaging $43.50 per month. With living costs still rising, particularly with respect to housing, the deficits between allowances and actual living costs will become even more severe in the future.

On that basis, these veterans presenting the brief, who were acutally student veterans themselves and knew what they were talking about, suggested to the committee that many veterans would be forced to give up their courses, although they had started on them, because they would not be able to undertake the financial obligation which they were incurring. At the rate of $40 a month, and taking a six-month course, that would mean an average of $240 a year, and it was stated that most of the veterans found that they were

in the last six years has been an attempt at uniformity. We have not accomplished that yet, but the suggestion of my hon. friend would, in my humble judgment, involve discrimination against other veterans who are not able to get the same treatment.

Mr. WRIGHT: Then eliminate the discrimination.

Mr. MACKENZIE: We have to be as fair and uniform in our treatment of the veterans as we can be, and I must reject my hon. friend's suggestion at once.

Amendment (Mr. Green) negatived.

Mr. GILLIS: Apparently I am too late.

An hon. MEMBER: Sit down.

Mr. GILLIS: I have not any intention of sitting down. I think such a remark from across the floor is the height of ignorance. Eighty-five per cent of the people who voted on the amendment had not the slightest idea of what it was all about. That is what I am objecting to.

Mr. ROSS (Souris): That is not right.

The ACTING CHAIRMAN (Mr. Golding): The amendment was put to the committee and defeated; there can be no further discussion on that. If the hon. member wants to discuss section 2 he would be in order.

Mr. GILLIS: I have no intention of disregarding your ruling, Mr. Chairman, but I certainly should like to see the interest of the veteran protected, and I am not so sure that it was, in the vote which has just been taken. The matter is pretty well tangled up.

Mr. LESAGE: I have a question on the definition clause, paragraph (k), which states:

"veteran" means a person resident and domiciled in Canada who has received, or is entitled to a gratuity under the War Service Grants Act . . .

I have here a copy of the War Service Grants Act, chapter 51 of the Statutes of Canada, 1944-45, and in paragraph (p) it is stated that:

"service" means time served on active service in the forces (i) while enlisted or obligated to serve without territorial limitation; or (ii) in the Aleutian islands.

It seems to me that this does not cover the case of a veteran who has not volunteered but who has served in Canada only for two or three years, whilst under the Veterans' Land Act he is entitled to the benefits of that act, and I just ask the question if it would not be fairer to provide that the definition of "veteran" in the bill we are now studying should be the same as in the Veterans' Land Act.

Mr. TUCKER: If the hon. member will permit me to answer that, the reason why it was put here is that this is a companion measure to supplement the use of the reestablishment credit under the War Service Grants Act. The hon. member is quite correct; a person who was called up and did not volunteer and only served in Canada does not get a reestablishment credit. It was felt that this is a companion measure to that, and should be on the same basis. Incidentally I might say that I think the reason why the veterans affairs committee did not recommend anything further was this, that we felt that the person who volunteered was entitled to some extra consideration as against the person who did not.

Mr. LESAGE: I know, but why extend the provisions of the Veterans' Land Act to those persons who have served for twelve months even if they did not volunteer, and not extend it in this case, which in my opinion is a companion bill to the Veterans' Land Act. That act was also a measure to supplement and complement the war service gratuities.

Mr. MACKENZIE: May I point out to my hon. friend that the committee on the Veterans' Land Act sat in 1942 before certain other issues developed within the nation, and the provisions made there were made universal, before other difficulties developed which we were confronted with.

Mr. MUTCH: It is a mistake in any event to suggest that the credits under the Veterans' Land Act make it a companion measure to this, because it is impossible for the veterans to take advantage of both, whereas in this case they may.

Section agreed to.

On section 3—Minister to pay losses of banks within certain limits and under certain conditions.

Mr. McKAY: I have an amendment, which is seconded by the hon. member for Melfort, that the word "five" in subsection 1, paragraph (g), line 39, be struck out and the words "three and one-half" be substituted therefor.

Mr. MACKENZIE: I immediately rise to a question of order. It is completely out of order.

The ACTING CHAIRMAN (Mr. Golding): That amendment is out of order.

Mr. McKAY: On what ground?

Mr. MACKENZIE: On the ground that the message from the crown through His Majesty's advisers has recommended five per cent, and there is the suggestion of my hon. friend

march to socialism. I am sure that the hon. member for Acadia in that suggestion is not following the lead of his leader.

Mr. QUELCH: The civil service could give this service at cost instead of at a profit.

Mr. TUCKER: That is following the C.C.F. ideas. The ultimate cost to the veteran and to the taxpayer under state administration would probably be twice as much as under the banks, which can do it as an extra to their present business. I could understand such a suggestion coming from the C.C.F., but not from the hon. member for Acadia or any other member of the Social Credit party.

Mr. GILLIS: Why not use the industrial development bank?

Mr. TUCKER: The industrial development bank was set up to make industrial development loans. It has very few branches throughout Canada. If a veteran in the province of Saskatchewan had to travel all the way from Melfort to Regina to try to get a loan of $1,000 or $1,500, and the bank had to make investigations three or four hundred miles away before making the loan, the thing would just not be feasible. To carry out that suggestion, the industrial development bank would have to set up branches all over the country. Our experience with the Farm Loan Improvement Act was so satisfactory that I am surprised that there is any criticism of this bill. There was some doubt about the act when it was first brought in, but it enabled the farmers to get a loan from their own bank at five per cent, and the banks did that extra business much more cheaply than a new institution that was set up especially for that purpose could possibly do it. I think it will be agreed that five per cent is a reasonable rate, especially when the borrower is allowed ten years to repay the loan. It is much better for the farmer to be able to go to his own bank only a few miles away than to have to deal through the government and go through all the red tape that is necessary when you deal with governments.

Mr. WRIGHT: The parliamentary assistant has given quite an explanation but, he did not explain why the government could not absorb the difference between 3½ per cent and five per cent in order to assist the veteran. Anyone can get a loan at five per cent but a veteran is entitled to a better deal.

There is one other point. The chief objection raised by the hon. member for Vancouver South with regard to not being allowed to incorporate was the personal responsibility which would be the veteran's in case of failure. The bank might seize other than the particular business for which the loan was made. Section 7 empowers the governor in council to make regulations and to prescribe the security, if any, to be taken by the bank for the repayment of any guaranteed loan. I would ask the minister to state whether the government intends to pass regulations under that clause to prevent the bank from taking over other assets of the veteran than the particular business for which he secured the loan.

Mr. TUCKER: The banks have a tremendous amount of protection against loss, and they can lend freely under this bill. The five per cent is to cover their costs of operating these loans; there is nothing in it to provide against loss. The regulations will provide that they may take security upon the property purchased with the loan. The attitude of the banks under the Farm Loan Improvement Act is this. They can rely on the government's guarantee, and they do not like to take any more security than they are required to take. In other words, the security is more or less a protection against the government having to pay a whole lot of losses rather than the banks. The banks take only the security they are required to take by the regulations, and the regulations will require them to take security on the property purchased.

Mr. WRIGHT: I suggest that the regulations prescribe that that shall be the only security which the banks shall take, that they shall not be able to take security on other assets of the veteran.

Mr. TUCKER: The difficulty about that is this. A veteran might be anxious to get a loan, but his record might be such that even with the guarantee the bank would not make the loan. But if the veteran can say to the bank, "I will repay this and as a guarantee here is some extra security," he might be able to get a loan that otherwise he could not obtain. The more elasticity you have in this, the more useful it will be to the veteran. It enables the veteran to get a loan that he might not otherwise be able to obtain. The various veterans' organizations have pressed strongly for legislation of this kind, and they would be sorry if we had too many hampering restrictions so that the loans could not be made speedily.

Mr. WRIGHT: Why is the government not prepared to absorb the difference between 3½ per cent and five per cent?

Mr. MACKENZIE: The whole underlying policy of government legislation for veterans

section 1 of the War Service Grants Act contains almost the same definition of business as there is in this bill. That was done because we felt that these are companion pieces of legislation and should be more or less the same in their provisions as to where the money could be invested. That is one reason why it was felt that they should be permitted to use their reestablishment credit to buy into a partnership or to buy an interest in a business, but not to buy shares in a corporation. It was felt the restrictions should be the same.

Our department, which has had a great deal of experience in the reestablishment of veterans, felt strongly that veterans should not be exposed to the possibility of somebody coming to them and getting them to go to a bank to borrow money with which to buy an interest in a corporation. We felt that we might be exposing veterans to pressure from unscrupulous persons. They might have a tendency to throw their reestablishment credit into some business and lose everything.

It was not pressure from the financial institutions that decided the government; it was advice from Major General Burns, our director of rehabilitation, and the deputy minister, that decided the government. The government felt they would be wrong in not taking that advice, that they should not permit this act to be used to buy shares in corporations. In following that advice we felt that we were following the best advice we could get.

There has been some question as to why there should be a guarantee of only ten per cent in the case of farmers who are going to farm under the Farm Improvement Loan Act when there is a guarantee of twenty-five per cent of the first million of loans made by banks under this bill. The answer is that the whole basis of this act is to help the veteran who has enlisted and who may have been overseas for five years when he would not have an opportunity to build up a relationship with his bank manager. When this man comes back he is almost a stranger, and it was felt that the government should give a form of partial guarantee of his loan. This is an altogether different proposition from a farmer getting a loan, because the farmer is generally well known. This higher guarantee is given not to help the banks, because we know they will do business in such a way as not to throw away their money; it was done so that credit should be freely available to worthy veterans. If a bank can lend a million dollars and if one-quarter of those loans are guaranteed, it obviously means that the veteran with any reasonable proposition can hope to get a loan. This is a most advantageous piece of legislation for any veteran going into business.

Some question has been raised about cutting down the rate of interest. I am just as anxious as any one to see rates of interest kept low, but I think it would be a poor way of serving the best interests of the veteran if you said to him that he could get a loan, say of $3,000, under this act and be charged three per cent instead of five per cent, which would save him $60, and then have the bank decide that they could not work under that arrangement no matter what the guarantee might be. The bank might consider that they would lose money on it and refuse to make any loans at all. That would be an amazing way to help the veteran.

Mr. QUELCH: Why could not the government supply the money in exactly the same way they are supplying it under the Veterans Land Act?

Mr. TUCKER: I am surprised at my hon. friend mentioning that. Obviously if you try to handle this under the Veterans' Land Act you would have this position. The banks are set up to advance money; that is their business. They have branches all over the country. The banks are supervised to see that they do not make undue profits. Very careful investigation was made and five per cent was considered a rate at which the banks would probably break even. My hon. friend says, why not do this under the Veterans' Land Act?

Mr. QUELCH: No; I said in a similar way.

Mr. TUCKER: I am surprised at my hon. friend suggesting that.

Mr. WRIGHT: My suggestion was that the government pay the difference between the 3½ per cent and the five per cent.

Mr. TUCKER: If the suggestion of the hon. member for Acadia had come from the C.C.F. I would not have been surprised, because they believe that the government should go into this business and have a horde of civil servants operating every branch of business from one end of the country to another.

An hon. MEMBER: You are already in it.

Mr. TUCKER: I am surprised at the suggestion coming from the Social Credit party, because it would cut down the field of private enterprise still further and accelerate the

the Veterans Land Act, legislation which in part would give them a grant, and then a loan at a reasonable rate of interest of not more than three and one-half per cent.

While no doubt this legislation will help, nevertheless, as I have said, it will be a great disappointment to the veterans of Canada. Under it no grant is made, although I understand a veteran will be eligible for a reestablishment credit. It is stated however that the rate of interest will be five per cent. I cannot understand why we can help set a veteran up on a farm at three and one-half per cent, in addition give him a grant of $2,300, and then say to the veteran who wishes to begin a business, "We will not give you a grant, but we will soak you five per cent interest." I cannot see any possible explanation or justification for that attitude.

As the hon. member for Weyburn has pointed out, these veterans are not to get even the benefits a civilian gets when he asks for a farm improvement loan. He can borrow money at five per cent, with the government putting up only ten per cent, whereas in this instance they guarantee the chartered banks up to twenty-five per cent of their aggregate losses.

During the war we heard a great deal about the patriotic services rendered by the chartered banks in helping to do this and that. The war is over, and I think the banks might very well prove their sense of patriotism by letting the veterans have these loans at a rate of three per cent, thereby giving them a little more help. If the banks are not prepared to do that, I suggest it is a service the government might very well perform.

A short time ago we made provision in this house for loans to foreign countries at the rate of two per cent. The reason given for that low rate of interest was that these countries could not afford to pay more. Many applications for loans by veterans are being turned down on the ground that they will not be able to meet their obligations. If it is found that a veteran is not able to meet his obligations under this act, should not the rate of interest be reduced on the same ground that we are making money available to foreign countries at the rate of two per cent? There is no suggestion of that kind at all. Why are we so liberal in making loans to foreign countries at two per cent when we refuse to treat our own veterans in a decent manner?

The hon. member for Weyburn suggested that the government might well consider reducing the rate of interest on these loans to three and a half per cent as a maximum, and then if the banks will not accept that responsibility the government should make the loans themselves. After all, during the war the government was able to borrow money at less than one per cent, for short term loans, and I am sure they could borrow for less than three per cent and then pass the money on to the veterans at a rate of three per cent.

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

Section 1 agreed to.

On section 2—Definitions.

Mr. GREEN: This is a section about which I made some suggestions during my remarks on second reading. I am going to move:

That section 2(i) of Bill No. 332 be amended by striking out the word "partnership" where it appears therein and substituting in the second line of the subsection the word "business."

The subsection would then read:

(i) "purchase of a business" includes the purchase of an interest in an existing business and the advance of capital for a new business, if the business is to be the main occupation of the veteran, and he intends to participate actively in that business.

I pointed out before my reasons for suggesting that change. I am quite sure that if the change is made the bill will be of more benefit to the veterans than it will as the section reads at the present time, and I urge the government to accept the amendment.

Mr. TUCKER: This was very carefully considered by our committee, and it is quite true that the committee finally recommended that this change be made. The government has had the advice of the director general of rehabilitation, who carefully considered the matter, and of the deputy minister, and their feeling is very strong that we should not agree to this change. As has been pointed out, the veteran must pay one-third of the total amount of the investment. Most veterans will have to use their reestablishment credit in order to do this. The reestablishment credit provisions were before the house, and our committee, and it was decided that we should not permit the veteran to use his reestablishment credit to purchase shares in an incorporated company. It was felt that a veteran might be lured into buying shares in an incorporated company, perhaps on the promise of getting a job, and then, having no control over the company after he had invested his reestablishment credit he might find that for some reason or another he was dismissed and would lose any benefit from the reestablishment credit. So we did not recommend that they have the right to use the reestablishment credit to purchase shares.

There was also the danger that they might be exposed to all kinds of pressure to buy shares in various companies. Section 2, sub-

suggestion by the hon. member for Vancouver South to allow veterans to purchase interests in incorporated companies, or to allow them to establish such companies. The protection offered is that in every instance the loan must be secured, with the endorsation of the veterans affairs department; and the credit issued as the result of investigation by the local bank manager who knows the situation, and the man involved. I would again ask the minister to give this matter his careful reconsideration.

Mr. E. B. McKAY (Weyburn): Mr. Speaker, I am sure the hon. member for Vancouver South (Mr. Green) did not wish to imply that only supporters of the government and the official opposition had anything to do with the preparation of this legislation.

Mr. GREEN: No.

Mr. McKAY: As a matter of fact both C.C.F. and Social Credit groups played their full part on the veterans affairs committee, and I believe our record for attendance was good. Moreover, while I am definitely in favour of the principle in the bill, I am not in favour of the banks being granted the privilege—and I use that word advisedly—of being able to charge a five per cent interest rate. The banks have argued that of necessity the loans will be small, and that they will be spread from coast to coast. They point out that in most instances repayment will be on a monthly basis, and that therefore the costs of administration will be high. Let me point out that the great majority of loans made by banks are small; any bank manager will say that. They are widespread, too. Every bank manager handles such loans, and veterans' loans will not require any more attention than average small business loans will.

A local bank manager always investigates a loan before he will make it, and most loans are repayable on a monthly basis. For these reasons I cannot understand why a rate of five per cent should be charged, and six per cent on loans in default. In fact, six per cent is the legal maximum; they could not charge more if they wanted to. Anyone knows that he can go into a bank almost anywhere and obtain a loan at five per cent. At the present time veterans can obtain loans at three and one-half per cent from the Department of Veterans Affairs for the purchase of land. Why is the government not handling business loans in the same manner, either through the Department of Veterans Affairs or through the industrial development bank?

A guarantee to the extent of twenty-five per cent has been made to each chartered bank in Canada against a loss. This guarantee is made where the amount of guaranteed loans does not exceed a million dollars. For anything exceeding that amount there is a guarantee of fifteen per cent. Despite these facts, the banks are permitted to charge what I describe as an exorbitant rate of five per cent on what anyone who has anything to do with banking knows is almost a sure-fire proposition.

The banks say they would like to have a reasonable rate of interest. Well, they got only three per cent on victory bonds, and they have other investments on which they receive considerably less. They go on to say that otherwise they will not have any incentive to do this business. It is all very well for them to say that, but they must remember that the boys left our shores for $1.50 a day, and did a good job. It seems to me if the banks take that attitude they are not patriotic, that they are cold-blooded free-enterprise businesses which our lads at $1.50 a day went from our shores to preserve. Apparently the chartered banks have forgotten already the sacrifices made by those boys on the field of battle.

In connection with farm improvement loans, the banks are guaranteed only ten percent of their loss by the government, and surely there can be nothing more risky than loans of that kind. Losses in connection with home improvement loans have been considerably less than two per cent, and small business loans losses run from one-half of one per cent to one per cent. Under this bill the government guarantees to every chartered bank in Canada —not to just one of them—twenty-five per cent on loans up to a million dollars. To me this makes the loans a sure thing so far as the banks are concerned. It is a sure profit with no risk—or at the most very little risk. Even if the Department of Veterans Affairs recommends favourably, a bank does not have to make a loan. Then, out of his own money a veteran has to put up fifty per cent of the amount the bank will agree to lend. Very seldom do banks ask for that percentage.

Unless the banks are prepared to lend money to veterans at three and one-half per cent—or three per cent, as someone has suggested, which is the rate on victory bonds; this is just as good a proposition—I suggest the Department of Veterans Affairs reconsider the matter with a view to lending the money themselves. I am opposed to veterans getting into the clutches of the money lenders.

Mr. VICTOR QUELCH (Acadia): Mr. Speaker, for a number of years there has been a persistent demand for legislation to help set veterans up in small business. I believe the veterans will be disappointed with this legislation. They had hoped that legislation would be brought down along the lines of

is section 2, paragraph (i), and I am going to read the recommendation which we made as the wording for that paragraph:

"Purchase of a business" includes the purchase of an interest in an existing business.—

We struck out the word "partnership".

—and the advance of capital for a new business—

Again we struck out the word "partnership".

—and if the business is to be the main occupation of the veteran and he intends to participate actively in that business.

That is the suggestion I have to make to the minister in regard to this particular bill.

Mr. SPEAKER: Order. I am sorry to interrupt the hon. member—

Mr. GREEN: I have concluded my remarks, Mr. Speaker.

Mr. JEAN-FRANÇOIS POULIOT (Temiscouata): What I find wrong with this bill is that it applies to veterans, and the word "veteran" is not properly defined. How can we know? Do members have to carry a library with them, have to carry the statutes of 1942, 1944 and 1946, to know who are those who will be benefited by this act? The drafting of the legislation is bad. Every time something is done for anyone, those who have to interpret the law must know exactly who are those who will benefit by it. That is elementary; the interpretation should not be left to the courts or to the bookworms who try to find out what the legislators in their wisdom have decided. There is no wisdom because there is no proper definition. Plato used to say that those who can define are divine. In this case there is no divinity in the department.

Mr. MACKENZIE: Nor in the hon. member.

Mr. POULIOT: And there is no one who can add the letters "D.D" to his name. I have an objection to this bill. I like to see the returned men, all the men in the army, helped by the assistance of the state. I have no objection to that, and everybody is for it; so far as is possible and reasonable we are all for it. Nobody can say that I am opposed to it. But I have another ground for complaint, one which is entirely different from the one which was expressed so ably by the hon. member for Vancouver South. It is that only those who have volunteered will enjoy the benefit of this legislation—and if I am wrong I want to be corrected at once, because I do not want to put the house under any false impression. I have fought bitterly against the theory that those who have done their duty are only those who have volunteered. Of course the men in the air force and in the navy volunteered to get in; that is right. But in the army there are men who have abided strictly by the law, and they are put into the class of untouchables. The benefits of this legislation will be denied them.

I will not repeat what I have said, but again I protest strongly against the kind of legislation, which deprives assistance to law-abiding Canadians who have done their duty, who have complied strictly with the law of the land, and who are set aside by a measure such as this, which gives benefits to some Canadians who have done more than was required by the law of the land.

Mr. H. W. HERRIDGE (Kootenay West): I rise to support the bill. It will be a great benefit to a large number of veterans who wish to establish themselves in business or professionally. But I wish to concur in the suggestion made by the hon. member for Vancouver South (Mr. Green). The defect in this bill is that it does not enable veterans to buy into an incorporated business or to establish small incorporated companies. I am going to speak of a situation of which I have some knowledge. There are experienced loggers and lumbermen in my constituency. I know of their circumstances; I know their experience, and I know the conditions. In my constituency, we have immense stands of timber. I can think of one block—the hon. member for Vancouver South knows of it—where there are over 500 million feet of timber in the Lardeau district. We have veterans of experience. We have the natural resources. I believe if this bill had included a provision under which men could join together to form incorporated companies we would be giving those veterans with experience residing in that community their rightful opportunity to develop those natural resources. In that district alone, if this provision were incorporated in the bill—and I suggest that the minister give the matter serious consideration—he would be making it possible for a considerable number of veterans to establish themselves soundly, as the result of experience, in the lumber industry of that community. I am sure a similar situation exists in other parts of British Columbia.

Under the present bill it is possible to enter into a partnership, but I am sure the minister must realize that partnerships of that type are most unsatisfactory. Under modern conditions a business cannot be carried out in the proper way by sharing the ownership with three or four other persons in a partnership. I would ask the minister to reconsider the

lines of endeavour. However, this bill should help, and the official opposition believe that it should be passed and given a fair trial.

I think I am correct in saying that of the bills being considered by this house it is the only one that is brand new. The others are either amendments to old acts or bills enacting orders in council in statute form. This bill however is a new one, and it is to assist not only in the establishment of a business but also in starting in a profession or going into a trade.

As I read the bill, the general plan is that it will enable the commercial banks of the country to extend assistance to veterans in cases where normally they would not grant a loan. This end is achieved by way of a guarantee by the government to the banks. It is a blanket guarantee, and if I remember correctly the government is liable up to a total of 25 per cent of the money lent, up to $1,000,000,—

Mr. TUCKER: For each bank.

Mr. GREEN: —and fifteen per cent for any amount over $1,000,000 lent to each bank. In return for this backing the banks are to make longer term loans than they would normally do, the limit being ten years under the act. They are to charge a lower rate of interest, five per cent only, I believe, until the loan falls into default, when they can charge a higher rate. They are enabled to take security on real estate, which as members know they cannot do in their ordinary business.

From the veteran's point of view the maximum loan, I believe, is $3,000. He cannot get more than that amount, and he must put up half as much as he borrows; in other words, if he received $3,000 he would have to put up from his own resources the sum of $1,500.

Mr. TUCKER: One-third.

Mr. GREEN: It is one-third of the total invested in the business, as I read the act, which means that if the bank put up $3,000 the veteran would put up $1,500. There is a very wide discretion in the bank to turn down loans. The banks do not have to make loans unless they wish to do so. Finally, the act is in effect for only five years. In other words, if the veteran is to get a loan he must get it within five years from the passing of the act. These, I believe, are the main features of the bill. The minister or his assistant will correct me if I am wrong.

Mr. MACKENZIE: That is right.

Mr. GREEN: There is one point about the bill which should be drawn to the attention of the house, namely, that it restricts a veteran to buying into a business which is a partnership. He cannot buy into an incorporated company. That feature was considered carefully by the veterans affairs committee, and after a good deal of discussion we recommended that the veteran should be given the power to obtain a loan for the purpose of buying into an incorporated business; that he should not be restricted to a partnership. But the government did not see fit to accept that recommendation. According to the bill as it now reads, the money can be used only to buy a partnership or an interest in a partnership. I would point out to the minister that it is unwise to make that restriction. In these days, as he and I well know, the average business man wants to have his business incorporated. That gets him away from a personal liability. If the business fails, then the owner of the business will not be personally responsible for all the debts. The veteran is entitled to the same privilege, but he is not getting it under this bill. The reason given was that he might buy into a firm where he did not hold a majority of the shares, and then the majority shareholders could squeeze him out or be unfair to him. Of course there is a good deal of truth in that, but at the same time he could be treated roughly even if he were in a partnership. Despite the fact that he has certain rights as a partner, still, in the long run, if the partnership goes broke he is in a bad spot.

This is an instance in which the finance department, who drew this bill, was not willing to go far enough. We are told by the government that if the veteran is to use his rehabilitation grant he can use it only for buying into a partnership, not into an incorporated company. But this is a different case entirely, because these business loans have first to be approved by the Department of Veterans Affairs, which is one protection for the veteran, and after that there has to be approval by the bank which makes the loan, which is the second assurance that the veteran is not to be treated unfairly by the person with whom he is going into business.

I do suggest to the minister that even at this late date he accept the recommendation made by the veterans affairs committee, that there be no such restriction placed on the veteran; that he be allowed to buy an interest in a business, or buy the whole business, whether it is a partnership or an incorporated company. The minister will remember that the section under which that would be done

General measures which might be taken during an epidemic are: First, general warning to physicians and people generally of the prevalence of the disease, and warning of parents to report all suspicious cases for immediate medical care. Second, all children with fever should be isolated in bed pending diagnosis. Third, protection of children as far as practicable against unnecessary contact with other persons and crowds, avoiding all unnecessary visiting and travelling. Fourth, maintenance of general health of all children at as high a level as possible, with rest periods.

For the general information of the house I may say that not a great deal of progress has been made in the treatment of infantile paralysis. The new drugs which people speak of so much nowadays, sulpha drugs and penicillin, are absolutely powerless against the ravages of poliomyelitis. The disease is caused by what is known as a virus, and these drugs do not appear to have any effect upon that particular virus. It would appear that the disease itself occurs in cycles, because the virus increases in virulence over a period of four or five years. Other methods of treatment which have been discarded have been the injection of human serum taken from the spinal cord of patients who have made a recovery. That is not giving the beneficial results which had been hoped for. I hope that people will not place too much reliance in the new drug called curare, which in isolated cases has given results but which has not been generally tested sufficiently to warrant the assertion that it has specific curative powers. For that reason it is to be hoped that people will not put too much confidence in it.

I am apprehensive that this may be one of the cycle years and in view of the fact that the epidemic has reached enormous proportions at this time in the United States, there is grave danger of there being a considerable increase in the number of cases in Canada.

I do not know that any better advice can be given than to tell people generally to follow the precautions that we have outlined, and that children, who are the principal victims, should be kept away from crowds and given plenty of rest and that their lives should be so regulated as not to give them too much exercise.

Mr. GRAYDON: I take it from the minister's remarks that medical science has not made very much progress in ascertaining the cause of the disease known as infantile paralysis.

[Mr. McCann.]

Mr. McCANN: The cause has been pretty well determined. It is caused by what we call a virus as distinct from a bacillus, and medical science has not been able to find any specific remedy that will kill the virus.

Mr. POULIOT: The hon. member should be thanked. That is the way the minister of health should talk to the house.

Mr. McKAY: Has the minister considered the advisability of using the Canadian Broadcasting corporation's stations, under the auspices of the Department of National Health and Welfare, to inform the public of the symptoms of the disease and the early treatment?

Mr. McCANN: I may assure the hon. gentleman that every facility will be used by the federal department of health, in conjunction with the provincial departments, to keep the public aware of the progress which the disease is making and of such measures as can be provided to prevent the spread of it to the proportions of an epidemic.

VETERANS AFFAIRS

VETERANS BUSINESS AND PROFESSIONAL LOANS ACT

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs) moved the second reading of bill No. 332, respecting loans to veterans to assist in establishment of business or professionally.

Mr. H. C. GREEN (Vancouver South): The description of this bill gives an idea of what it is supposed to do. It is described as an act respecting loans to veterans to assist in their establishment in business or professionally. I believe the main idea was to help the veteran to become established in a small business. Recommendations to that effect were made over a year ago by the Canadian Legion and other soldier organizations, and the special committee of this house which sat last fall also made a recommendation which is to be found in their last report as follows:

> Your committee further recommends that the government give consideration to providing some measure of assistance other than that now provided under the War Service Grants Act, 1944, by way of loans to veterans who wish to engage in business.

This legislation is the result of those recommendations. I regret that there has been such long delay in bringing in the measure, because probably the result will be that quite a few veterans will not be able to take advantage of it, having in the meantime gone into other

give me the assurance that we can take this matter up with the Minister of Transport and that he will have the authority to introduce bills dealing with the rehabilitation of merchant seamen without interfering with the work that has already been done by the veterans affairs committee, I shall be prepared to accept that.

Mr. MACKENZIE: I shall be very glad indeed to give my hon. friend, on behalf of my colleague, that assurance. May I refer the hon. member for Cape Breton South to a pamphlet issued by the Department of Transport on merchant seamen: part 10, benefits to members; part 11, remuneration—I am not going to weary the house by reading it now—wartime benefits, income tax concessions, pensions and compensations; part 12 thereof, civil reestablishment, hospitalization and treatment, merchant seamen, special bonus order; part 13 thereof, other benefits to seamen; and part 14 thereof, before the discussion which he expects will take place.

Mr. GILLIS: That is all contingent upon whether the seaman is pensioned. If he is not pensioned he is not entitled to this.

Mr. TUCKER: Not all of it.

Mr. GILLIS: None, unless he is pensioned.

Mr. MACKENZIE: Oh, no.

Mr. GILLIS: According to our evidence it is.

Mr. MACKENZIE: We will discuss it later.

Mr. POULIOT: My suggestion is that in due course preference should be extended only to seamen on Canadian registered vessels, especially Park Steamships, not the vessels of the united nations.

Section agreed to.

Sections 6 to 62 inclusive agreed to.

Schedules agreed to.

Bill reported, read the third time and passed.

PUBLIC HEALTH

STATEMENT AS TO STEPS TAKEN TO CONTROL INFANTILE PARALYSIS

Hon. J. J. McCANN (Acting Minister of National Health and Welfare): Mr. Speaker, may I have the permission of the house to make a brief statement with reference to a question which was asked yesterday by the hon. member for Peel (Mr. Graydon)? Yesterday the hon. member for Peel asked a question with reference to the increase of cases of infantile paralysis in certain sections of Canada, and wished a statement on the present situation and what steps can be taken in connection with the spread of the epidemic. He also asked for a report on the number of cases and the comparison with the number in previous years when the epidemic was at its height in Canada.

I can well understand the concern of the hon. gentleman, as well as that of the Canadian people generally who recall the devastating effects of previous epidemics. This matter is of increasing importance to Canadians in view of the fact that the epidemic is sweeping sections of the United States, and our proximity to that country gives us reason for fear that the epidemic may spread to Canada.

Infantile paralysis is a peculiar disease, in that it appears to run in cycles of years. The greatest incidence of the disease in recent years was in 1941, when there were between January 1 and July 31 of that year two hundred and two cases. In 1937, it was regarded as epidemic in Ontario from the middle of August until the middle of October. In 1941 it was regarded as epidemic in Manitoba and New Brunswick from the middle of July to the middle of September.

I will now give you the total number of cases occurring in Canada from January 1 to July 31 for the years 1937 to 1946: 1937, 130; 1938, 139; 1939, 85; 1940, 47; 1941, 202; 1942, 111; 1943, 43; 1944, 88; 1945, 67; and to the end of July, 1946, 155 cases have been reported.

The control and treatment of poliomyelitis falls within the jurisdiction of the provinces and the municipalities. The dominion Department of Health and Welfare can act only by extending any assistance in its power upon request of the province. Actual control and treatment of the disease is primarily a matter for municipal authorities acting along general lines of the regulations of the municipality and of the province.

Methods of control may be classified under two headings. First, as respects the infected individual. We suggest encouragement of as early recognition of the disease as possible. When the disease is epidemic, measures are taken to make consultant and laboratory services easily available to medical practitioners. Those laboratories are both provincial and dominion laboratories. Second, the hospitalization of the sick as far as this is possible, with isolation of the patient for from two to three weeks. Third, disinfection of discharges from the nose, throat and bowels, and of soiled articles. Fourth, investigation as far as possible of the sources of infection to locate unrecognized and unreported cases of the disease.

Mr. POULIOT: Just a word in support of the contention of the hon. member for Fraser Valley. This bill is for the purpose of granting allowances to men who do not have a pension. If a man has a sufficient pension to live on, he does not need any allowance, and that is so much saved to the country. The purpose of the allowance is to correct the position of the man who is entitled to something from the state but has not been awarded a pension. If the seamen are given the civil service preference, they will be appointed to jobs which will provide them with enough to live on, and they will not ask for allowances. Therefore I think we are perfectly in order in suggesting that the civil service preference be given to seamen. These men were down in the engine rooms of ships that were stoked in the old-fashioned way, and they had to work much harder than seamen who were working on big modern ships. If they are given the civil service preference and get a civil service job, a lesser amount will be paid in allowances by virtue of that. So in the first place there are those seamen who have a pension; in the second place those who have jobs by virtue of the civil service preference, and the men who will get an allowance will be those who have not a pension and have not been successful in passing a civil service examination and getting an appointment notwithstanding the civil service preference given to them.

I am interested in this matter. Last session I asked a question about the civil service preference being extended to merchant seamen, and I did so again this year. Therefore I believe, Mr. Chairman, that we are strictly in order in discussing the improvement of this bill by giving to the seamen the same opportunities as have been given to men in the armed forces.

The CHAIRMAN: I am afraid that the discussion is not strictly in order. For instance, the preference which is given to members of the armed forces is given under the Civil Service Act and not under the Pension Act. The discussion of the civil service preference at this time when we are considering a bill to grant war pensions is not in order. One hon. member stated that the bill had to do with civil war pensions and allowances. I have glanced through the bill and it occurs to me that the allowances referred to are allowances in lieu of pensions, and not allowances generally. If I am incorrect in that, I would ask the parliamentary assistant to explain to the committee the meaning of the word "allowances", so that the discussion in committee may be in order.

[Mr. Cruickshank.]

Mr. TUCKER: There is just one thing in this bill in regard to allowances for a merchant seaman who is taken prisoner. Provision is made for his pay and allowances being brought up to the level of what the merchant seaman would have got if he had not been taken prisoner. That comes under section 14, and these allowances are called detention allowances. The only reason that this department is involved is that the administration is placed in the hands of the pension commission. I suppose strictly speaking it could be argued that because provision is made for detention allowances we should provide a lot of other benefits, but my suggestion to you, Mr. Chairman, and through you to the committee, is that all these other things to be done for merchant seamen will be done under the Department of Transport. That department has been studying the evidence taken by the veterans affairs committee and its recommendations and has arrived at certain decisions as to what they will ask parliament for. I think this discussion is a little beside the point, because we are not prepared to answer questions in regard to what another department is going to do. If we are to do that we should send for the Minister of Transport and his officials, but it would seem to me that in the interests of speeding up the work the members should be willing to bring those questions up on the estimates of the Department of Transport.

Mr. GILLIS: I would be satisfied to accept the suggestion of the parliamentary assistant and hand this whole thing over to the Department of Transport and discuss it on the estimates of that department if I were not afraid of what the Minister of Transport would say. In fact he did tell us that the only bill that they were preparing was one with reference to compensation. We have already accepted this responsibility. Reference has been made to our proceedings in the veterans affairs committee. If hon. members will look at page 40 of the proceedings they will find that we have extended to seamen the benefits of veterans' insurance, the Veterans' Land Act, vocational training, and certain other benefits contingent upon the merchant seaman being pensioned. That gives the Minister of Transport a chance to say that all these rehabilitation measures are conditional upon "if pensioned". It is not reasonable to suppose that the Department of Transport will bring in bills duplicating something we have already done. As we have made the benefits conditional upon "if pensioned", I think we are obliged to discuss the position of the merchant seamen under veterans affairs. But if the Minister of Veterans Affairs will

A bill was brought in concerning merchant seamen, but it was an imperfect bill. As a member of parliament I have the right and privilege to make recommendations.

Mr. MACKENZIE: Did my hon. friend make any remarks whatsoever when the bill was discussed last Monday?

Mr. CRUICKSHANK: I do not know whether I did or not, but I am going to make plenty before this is through.

Mr. GREEN: That bill dealt only with workmen's compensation.

The CHAIRMAN: A bill which passed the house last Monday cannot now be discussed.

Mr. CRUICKSHANK: The minister referred to it; I did not.

The CHAIRMAN: I do not think the discussion should continue.

Mr. MacINNIS: That is just the point I was going to make. The bill last Monday did not have any relation to the matter that is before us now, and it should not have been discussed under this measure.

Mr. CRUICKSHANK: Mr. Chairman—

Mr. TUCKER: The reason it was brought up—

Mr. CRUICKSHANK: Have I the floor, or not?

Some hon. MEMBERS: Order:

Mr. CRUICKSHANK: I am not going to sit down for the new leader in Saskatchewan. I am asking if I have the floor or not.

The CHAIRMAN: I am giving a ruling with regard to procedure. It is irregular to discuss a bill which has already been passed at this session. I suggest that the committee do not discuss it further.

Mr. CRUICKSHANK: That is the very thing I did not want to discuss; I did not bring the bill into this discussion and I leave it to any member to say if I did. I understood defintely, and other hon. members of the veterans affairs committee were with me, that we had the assurance that any suggestions or amendments we wanted to bring in concerning merchant seamen could be brought in. That is the only reason why many members of the veterans affairs committee agreed to allow this bill to pass. I am not opposing this bill; I am simply stating that we were given that assurance. One particular item I want to discuss is the fact that a merchant seaman has no civil service preference. Can you show me anything in this bill having to do with that? I am merely asking if there will be any opportunity for a member to discuss these matters concerning merchant seamen.

Mr. TUCKER: Just so that there may be no doubt about this matter, may I say that our committee did deal with that question and were very much concerned about the merchant seamen. They discussed it, and the understanding was that it was a matter for the Department of Transport to handle, because merchant seamen were always under that department. This bill gives rights to merchant seamen in regard to pensions—

Mr. GREEN: And allowances.

Mr. TUCKER: It provides for a detention allowance for merchant seamen, and I suppose that if you were to press very strongly you could argue, why not give other rights? Technically I suppose that could be discussed. But I do suggest to my hon. friend that our department, outside of the administration of pensions and administration of detention allowances, has not had under consideration this whole question of what further should be done for merchant seamen. That has been under consideration by the transport department and its officials. We have not the transport officials here, and we did not come prepared to discuss matters coming under that department. The Minister of Transport is fully familiar with this question, and I suggest to hon. members that they bring up this question of what is being done for the rehabilitation of merchant seamen and salt-water fishermen when the estimates of the Department of Transport are before the house, or perhaps on some bill which that department brings in. There is no doubt that hon. members will have a chance to discuss this matter under the estimates of the Department of Transport.

Mr. CRUICKSHANK: Have I the assurance of the parliamentary assistant that this matter can be discussed then? I and others did everything we could to bring the matter before the veterans affairs committee, and each time we were sidetracked by the statement that we would definitely have an opportunity to discuss it. If that matter has nothing to do with veterans, why are seamen mentioned in this bill? Of course it has something to do with veterans affairs. By order in council these merchant seamen were given the assurance that they would be treated as a fourth arm of the service and given every consideration. Surely we are entitled to the assurance that we shall be able to discuss whether the merchant seamen should be given the same benefits as an A.R.P. warden in Hull is getting.

Mr. TUCKER: The exact situation with regard to what has been done for merchant seamen will be found set out on pages 36, 37, 38, 39, 40 and 41 of the proceedings of the committee. To read those pages and place them on the record would take a considerable time. Every hon. member has a copy of the proceedings. It would be out of order for me to outline them unless I had unanimous consent.

The CHAIRMAN: I am sure the parliamentary assistant has answered the question of the hon. member for Skeena. The hon. member did not necessarily want a statement placed on *Hansard*; he wanted to know where it could be found.

Mr. GREEN: There is one serious omission in the allowances made to merchant seamen. The bill we are now dealing with has to do with allowances and pensions, but the omission I refer to is the inability of merchant seamen to qualify for educational assistance or vocational training. They may qualify for vocational training if the training they are to take has something to do with their ocupation as seamen. In other words, a seaman can take training in order to qualify for certain posts in the merchant navy, but he cannot take general vocational or university training. I think that is unfair. I do not blame the Department of Veterans Affairs for it, but the fact is that a man who served only in Canada, in the forces, can get training at a university, while the seaman who served in dangerous waters cannot. I suggest that the government give consideration to remedying that omission.

Mr. MACKENZIE: I understand that the Minister of Transport is making provision for exactly what is suggested by the hon. member. I think my colleague has a letter to that effect.

Mr. GREEN: Could we have the letter read into the record so that we may have assurance that the omission is to be made good?

Mr. TUCKER: We have been interested in the matter because it was before the committee. We are assured that vocational training can be dealt with by an item in the estimates, and I understand it is to be dealt with. It does not have to be done by way of change in the law.

Mr. GREEN: Will it include educational assistance?

[Mr. Bradette.]

Mr. TUCKER: The Minister of Transport will deal with that. I do not want to be too definite about it, and I suggest that the matter be brought up on his estimates.

Mr. GREEN: Will it include educational allowances?

Mr. TUCKER: No, vocational training only. If it does not go as far as some members of the committee would like, I suggest that they bring up the matter when the estimates of the Department of Transport are before us. In regard to unemployment insurance, a bill amending the Unemployment Insurance Act is before the senate and will come before this house. That is all under the Department of Transport, and it would be better to have the minister deal with it. The committee can then get exact information as to what the intentions are.

Mr. CRUICKSHANK: Speaking on behalf of a new member of my party and myself—I am speaking jointly—I want to say I understood that assurance was given in the veterans affairs committee—my hon. friend will correct me if I am not right—that we would have a chance to discuss the things that have not been done for the merchant seamen. Some members of the veterans affairs committee took strong exception to the decisions of the chairman and of some members of the advisory committee, and my understanding was that we were to have a full opportunity here under some bill to make recommendations in the matter.

Mr. MACKENZIE: Was my hon. friend in the house last Monday?

Mr. CRUICKSHANK: I was here all the time.

Mr. MACKENZIE: A bill dealing with merchant seamen went through the house last Monday.

Mr. CRUICKSHANK: Yes, that is just the thing I am kicking about. I think some hon. members feel that that bill did not include everything they wanted.

Mr. MACKENZIE: Did my hon. friend not have an opportunity to discuss that bill in this house last Monday?

Mr. CRUICKSHANK: I do not want to get into any argument. I attended nearly every meeting of the veterans affairs committee and I understood distinctly that we were given the assurance that we should have an opportunity—other hon. members will bear me out—to make any recommendations.

from Wabana to Sydney which, if proven, would establish to the satisfaction of the commission that the ship was engaged in essential war work.

Nothing further was heard from the applicant although this decision was communicated to him on June 26, 1944, and nothing further has been heard from him since that time. He has the right to renew his claim and to present oral evidence to prove his claim. The commission would consider all such evidence. On the evidence before them they made this decision. He had all the rights left to him that are found in the Pension Act. To make an attack on the commission, based upon the first decision, when all these other rights were open to the person in question, and explained to him, is to give a wrong impression.

I would ask the hon. member and other hon. members that whenever a case like this comes up, they ask that the matter be looked into further, and the commission will only be too glad to hear the evidence. If the evidence in any way indicates that the person in question comes under the provisions of the order in council of that time, or the act as it is passed, I can guarantee he will receive every possible consideration from the pension commission.

Mr. GILLIS: The statement just made by the parliamentary assistant does not alter my opinion or contention one iota. In the first place the accident arose out of this man's employment on a ship. The decision rendered by the commission in 1944, if sent to him, must have been vague, because in April 1946, as indicated by letters I read into the record this morning, he wrote to the director of merchant marine at Ottawa asking exactly why his claim had been turned down. The director of merchant marine in Ottawa got in touch with the commission, according to the letter I read this morning, and made an apology to the boy—

Mr. MACKENZIE: My good friend is referring to some observations made by a minister or an official of another department. The section before us deals entirely with the Department of Veterans Affairs. The parliamentary assistant has given the concise facts in the matter.

Mr. GILLIS: What I am stating now is relevant to the statement made by the parliamentary assistant. The natural and logical person for a member of the merchant marine to approach would be the director of merchant marine service.

Mr. MACKENZIE: Again on a point of order, I say the decision was rendered in this case.

Mr. GILLIS: That is not a point of order.

Mr. MACKENZIE: Yes, it is. This morning the hon. member said that this matter had been taken up in 1943 and no decision had been rendered. According to the statement now submitted a decision was rendered in 1944.

Mr. GILLIS: I did not interrupt the parliamentary assistant when he made his statement. I listened attentively, and I am not now assessing its validity or otherwise. However I too read documentary evidence into the record this morning, upon which I based my opinion. I did not attack the commission. I did not say they were lax in rendering their decision. I simply pointed to the statement made by the director of the merchant marine service to the man affected, that the reason he did not answer more quickly was the delay on the part of the commission in answering him.

I am glad that matter has been discussed, because it focuses attention on the point. I have written the minister about it, and I hope the matter will be straightened out so that this boy may receive what I think he is legitimately entitled to, compensation for the loss of his leg.

Mr. MACKENZIE: The facts will speak for themselves, and if my hon. friend will look over the file I think he will agree with me.

Mr. ARCHIBALD: The parliamentary assistant stated this morning that he did not want to list the benefits that had been extended to seamen, but for my information I should like him to do that.

The CHAIRMAN: If the hon. member replied he would not be in order, because the bill before the committee deals with pensions and allowances.

Mr. MACKENZIE: I think the hon. member's request is a reasonable one, and we shall be glad to accede to it, but it would be out of order unless there were unanimous consent.

Some hon. MEMBERS: Agreed.

Mr. MACKENZIE: It is a matter of record; it is a matter known to every member of this committee, but if the hon. member has the unanimous consent of the committee he can have it now.

Mr. ARCHIBALD: It would take only two minutes to outline exactly what has been given them. I should like to have it on the record.

Mr. BRADETTE: It is on the committee record already.

Mr. MACKENZIE: Not correct; they do not get the run-around from our department.

Mr. TUCKER: He should not say that.

Mr. GILLIS: I do not want to take up the time to give a lot of other cases.

Mr. MACKENZIE: We are prepared to meet you at every opportunity.

Mr. GILLIS: In this particular case, as I pointed out earlier, I do not make these accusations. I ask the minister to check with the director of Canadian merchant seamen, because in the letter he definitely states that there was a delay and that the delay in answering this boy was occasioned by the fact that his checking with the commission was delayed. He says that they merely confirmed to him that the appeal for pension was duly considered but disallowed.

At one o'clock the house took recess.

The committee resumed at three o'clock.

Mr. TUCKER: Mr. Chairman, on the point raised by the hon. member for Cape Breton South, examination of the files he mentioned bears out what I had thought probably happened. A first decision was rendered and no further action taken.

Before dealing with this case may I have your permission, sir, to be out of order for a matter of only three or four sentences? During the consideration of this legislation I have had occasion to rise and suggest that certain other hon. members were out of order. It was for this reason that I did not at once, as I should have done, thank most sincerely those hon. members who were so kind as to welcome me back from my province of Saskatchewan, to say such kind words concerning me and to offer me their good wishes. My relationship with members of the House of Commons has been so friendly and pleasant that the thought of having to terminate that relationship at some time in the future and ceasing to be a member of parliament is a most unpleasant one. It will be one of the most difficult and painful things I shall ever have had to do.

I am glad the hon. member for Cape Breton South is in his seat, because I have before me the facts respecting the gentleman mentioned. I shall not give his name, because I should like to place on record the actual decision rendered in the matter. I do not think his name was given by the hon. member.

This gentleman was serving on a ship which was certified by the Department of Transport to be a ship of Canadian registry. On June 2, 1943, he met with an accident on board ship which resulted in amputation of his leg. Following upon the accident he was admitted to hospital and apparently was discharged on January 27, 1944.

An official of the immigration branch at Halifax telephoned the commission's representative, the pension medical examiner, and asked if he was interested in the case. Doctor Henderson, the examiner, thought it would be wise to carry out an examination and so obviate the possibility of any delay. This examination took place on January 26. The seaman was supplied with the necessary application form and the provisions for merchant seamen with regard to pension were fully explained to him.

The completed application form was received by the commission on February 24, 1944. Five days later the commission wrote to the Department of Transport requesting official advice regarding the registry of the vessel, whether the applicant was a member of the crew, and particulars regarding the operating company. On the same day the commission wrote to the seaman acknowledging the application, advising that it was receiving attention and requesting advice from him as to whether his statement that the accident occurred during a blackout referred to a general blackout in the area or during one on board the ship. He was advised at that time that his eligibility would hinge on the question whether the disability resulted from extraordinary marine peril consequent upon the existence of a state of hostilities. On the same day the commission made further inquiries with regard to the treatment which had been carried out at the marine hospital at Halifax and as to the extent of his disability.

When the necessary details were before the commission they were very carefully reviewed, and on May 12, 1944, the following decision was rendered:

> According to the information available to the commission this applicant fell and injured his right leg on June 2, 1943, and later the leg had to be amputated. He alleges that the injury was sustained when he fell down a stoke-hole during a blackout aboard the ship. This contention is not borne out by the extract from the official log book which states that he was the worse for liquor all during the evening of June 2 and had fallen over a settee on the deck, and about 11.30 p.m. was found on the floor of the stoke-hole—leg broken.
>
> In the opinion of the commission it has not been established that the injury was due to enemy action as defined by the terms of order in council P.C. 104-3546 and, the application, therefore, is not granted.
>
> In view of this decision the commission has not taken action to confirm the applicant's statement that the ship was convoying iron ore

Mr. GILLIS: If there is an argument now it was not developed by me; it was developed by the minister and by the chairman of the veterans affairs committee. I was dealing specifically with the administration of the Pension Act with reference to Canadian seamen, and I put a particular case on the record. It is not my story at all, but the story of the director of the Canadian merchant seamen. In addition to that there is the fact that a seaman who suffered the loss of a leg has been endeavouring to get redress under the Pension Act since 1943.

Mr. TUCKER: The letter which the hon. member read was not from the pension commission at all. It is most unfair to bring a charge of that kind against the pension commission when the letter is not from that commission. Section 3, which we have already passed, reads as follows:

> All claims for pensions, allowances and compensation under this act shall be dealt with and adjudicated upon in like manner as claims under the Pension Act.

I would ask the hon. member whether this matter has been pursued and all advantages taken as provided by law. He does not know. I submit to you, Mr. Chairman—

Mr. MACKENZIE: He does not know where the case rests.

Mr. GILLIS: Yes, I do.

Mr. TUCKER: He does not know how far it was taken.

Mr. GILLIS: Yes, I do.

Mr. TUCKER: Does the hon. member know whether it was taken to appeal as provided by the Pension Act?

Mr. GILLIS: It took from 1943 to 1946 to get this far.

Mr. MACKENZIE: And a letter was written to the minister on August 7, and has not yet been received.

Mr. GILLIS: True, but the minister is not the pension commission.

Mr. MACKENZIE: It is a good thing he is not.

Mr. GILLIS: It went there only as a last resort to see if the minister would not improve the machinery in this particular case.

Mr. MUTCH: When was the application for pension made?

Mr. GILLIS: The application for pension was made when the boy was admitted to hospital with the loss of a leg.

Mr. TUCKER: When?

Mr. GILLIS: In 1943.

Mr. TUCKER: Does the hon. member know?

Mr. GILLIS: His leg was amputated on October 4, 1943, in a departmental hospital; he was admitted to the hospital on June 3 of that year.

Mr. MUTCH: How soon after that did he make application for pension?

Mr. LENNARD: Who made the application?

Mr. MACKENZIE: That is the point.

Mr. GILLIS: I am sure the hon. member—

Mr. MACKENZIE: It is important to get the facts.

Mr. GILLIS: Hon. members know that if I went into a departmental hospital there would be a file started immediately. My claim would be registered and my disability noted.

Mr. MACKENZIE: Was there such a claim?

Mr. GILLIS: Certainly there was.

Mr. MACKENZIE: When?

Mr. GILLIS: When he entered hospital.

Mr. MACKENZIE: Has my friend a copy of the claim?

Mr. GILLIS: I assume that will be in the department's files. That is why I wrote the minister, to get it. The claim started when the boy's leg was amputated in the departmental hospital.

Mr. TUCKER: I suggest the hon. member is drawing an inference from the letter he read which is not correct.

Mr. GILLIS: I am stating the facts.

Mr. TUCKER: Does the letter say that is was not due to his service? It may very well be that he did not make a claim until recently.

Mr. MACKENZIE: That is the point.

Mr. TUCKER: It may be that the claim is in its early stages.

Mr. GILLIS: His claim was disallowed.

Mr. TUCKER: I say this with a great deal of reluctance, because the hon. member has been most cooperative in the committee. I do suggest that to rise and read a letter such as that, without any definite facts or anything else, and to suggest, as the hon. member did, that the merchant seamen get the run-around, is to do something which is not right.

Mr. MACKENZIE: I am told by the chairman of the pension commission that he has not yet had this case brought to his attention.

Mr. GILLIS: The reason I put it on the record is that this boy lost his leg in 1943.

Mr. MACKENZIE: But I am afraid the inference is that there has been some delay in our department. That is the last thing we want to have happen and the first thing we wish to avoid. I wish to trace it to see when my hon. friend's letter came to my office. I am told by the chairman, who is most sympathetic to those cases, that he has not heard of the case yet.

Mr. GILLIS: There is no inference that there was any delay on the part of the minister. There is an accusation of June 28 from the director of merchant seamen that the Canadian pension commission did delay. I might read the paragraph again:

> I regret very much that there has been such a delay in replying to your letters but I have been daily expecting a reply to the inquiries I made regarding your case, to the Canadian pension board.

Mr. MACKENZIE: Was that done locally or from the national board, the Canadian pension commission?

Mr. GILLIS: The commission here; this letter is from Ottawa and is signed by G. L. C. Johnson, director of merchant seamen.

Mr. MACKENZIE: I should like to check that, if the hon. member does not mind.

Mr. GILLIS: There is no inference on my part. I merely read the letter to indicate that the man had an accident in 1943 and was put in hospital under pension regulations. He was then discharged. Really his case has been in the files of the commission since 1943.

Mr. MACKENZIE: In all fairness I want to say—and I am not speaking in a partial way at all—I have never seen such marvellous expedition of business as I have seen in the Canadian pension commission in the last two years.

Mr. GILLIS: I am not saying there has not been; I am merely placing the facts on the record. I have a letter from the director of merchant seamen which indicates that there was delay on the part of the commission in answering correspondence. I have written the minister about it, but of course he has not had a chance to answer the letter or to take the matter up. The reason I do this is that I find in all phases which the merchant seamen have to go through to secure war bonus, based on wages, it takes weeks and weeks of writing and completing forms. My experience has been that there is a tendency to brush the merchant seamen off—

Mr. MACKENZIE: No, we cannot accept that. I should like the committee on veterans affairs to review the benefits extended by Canada to merchant seamen and compare them with the statement of Right Hon. Winston Churchill on what England has done for the merchant seamen. We have done ten times more than the old country did for their seamen.

Mr. GILLIS: I am not concerned about that—

Mr. MACKENZIE: I am.

Mr. GILLIS: —and the fact that South Africa and England—

Mr. MACKENZIE: It is a credit to our own country.

Mr. GILLIS: —are not doing something. I am concerned with this letter and the fact that if we in Canada have an obligation we should live up to it.

Mr. MACKENZIE: We are ahead of every other country.

Mr. TUCKER: The difficulty about this matter is that when an hon. member rises in his place and says all these things—

An hon. MEMBER: Order.

Mr. TUCKER: If I rose and answered the hon. member and recited all the things we have done for the merchant seamen outside of pensions I would be out of order. The practice of getting up and saying that we are not doing something in other directions, and saying it in such a way that it cannot be answered without being out of order, is improper. If the hon. member is going to debate what we are going to do for the merchant seamen, have done and will do, he is certainly outside the ambit of this bill, and I suggest to you, Mr. Chairman—

Mr. IRVINE: What is the point of order?

Mr. TUCKER: The hon. member is out of order; that is the point of order. He is discussing matters other than pensions, which is the only matter before the house. I could list the things which we have done for the merchant seamen. The hon. member has made a statement as to what has been done for merchant seamen, which is unfair to this committee. If I were to rise and recite all that has been done I would be distinctly out of order. I suggest the hon. member should not have done that.

compensation schemes that exist in all the provinces. It is really a civilian matter. The members of the veterans affairs committee—and this is the reason why these men were overlooked there—were under the impression that the Minister of Transport was preparing a bill that would cover these men.

Mr. BROOKS: We were told so.

Mr. GILLIS: Yes, but unfortunately that did not take place. I suppose it is too late at this session to do very much about it. It is a matter for the house to decide. Personally I think a special bill should be prepared covering Canadian merchant seamen, extending to them the benefits of rehabilitation as in the case of the armed services and the auxiliary services. In my opinion no one who went through the war is more entitled to consideration than the merchant seamen, because they certainly took it on the chin. They had no glory, they had no uniforms, they got no medals, they spent a lot of time on rafts in the ocean and all that kind of thing, and at this stage of the game the least we can do for them is to give them the rights of rehabilitation as we have done for the armed and auxiliary services.

As to pensions, I have something specific to say. It is difficult for a Canadian merchant seaman to secure a pension. I have a case in point, and the best illustration is the way in which the act is being administered. I have here two letters which I think pretty well cover the point. They show the run-around that the merchant seaman gets in all these matters because he is not looked upon as one who had anything to do with the war. Here is a statement from a boy who has a disability. He suffered the loss of a leg. The letter reads:

Sydney Mines, N.S.,
5 April, 1946.

Mr. G. L. C. Johnson,
Director of Merchant Seamen,
95 Rideau Street,
Ottawa, Ontario.

Dear Sir:

On June 3, 1943, while serving as a merchant seaman aboard the steamship *Phillip T. Dodge* in Sydney, Cape Breton, Nova Scotia, I suffered an accident which later necessitated the amputation of my right leg. Particulars of the case are as listed hereunder:

On June 3, 1943, while the ship was in Sydney harbour, unloading, I accidentally fell into the stoke hole. I was admitted to Sydney City Hospital on June 3, 1943. Amputation was effected 4 October, 1943 and I was transferred to the Halifax Infirmary on November 8, 1943, where I remained under treatment for approximately four months. Later, on return to Sydney Mines it was necessary to be admitted to the Sydney Merchant Marine Hospital and again to the Halifax Infirmary for checkup and further treatment.

The steamship *Phillip T. Dodge* is owned by the Waterman Steamship Company, registered in Saint John, New Brunswick, and at the time of my accident was chartered by the Dominion Steel and Coal Company.

Prior to this accident I was actively engaged as a merchant seaman, in dangerous waters aboard Canadian ships for several years.

He concludes by asking whether the director of merchant seamen would advise him of the procedure he should follow in order to qualify for a pension. The answer he received was written on June 28, 1946—and it will be remembered that this boy suffered his accident in 1943. This is what they say:

Ottawa, June 28, 1946.

Dear Sir:

I regret very much that there has been such a delay in replying to your letters but I have been daily expecting a reply to the inquiries I made regarding your case, to the Canadian pension board.

They have confirmed to me that your appeal for pension was duly considered but on full investigation of the circumstances surrounding your accident on board the *Phillip T. Dodge* it was found that it was not within their power to grant you a pension. Inasmuch as you are not pensionable it is also impossible for you to be considered for a vocational training grant.

It is indeed unfortunate that such an accident occurred to you but from the facts now ascertained it would appear that your accident resulted not through the line of duty but it was through your own personal liability that you suffered the loss of your limb.

I assure you that I greatly sympathize with you in your predicament but there seems to be absolutely no way in which assistance may be given to you.

I have written to the minister with reference to the case and I do not suppose he has had a chance to check it up. That was only on August 7. I have asked him to check with the commission and ascertain on what basis they made the decision.

Mr. TUCKER: Does the hon. member know at what stage the application stands now? I hate to see these statements put on *Hansard* and the suggestion made that there has been a final decision, because the same steps are taken in this as in the case of an ordinary application for pension. First there is a ruling and then the matter goes to the pension appeal board. It might very well be that this man's application has not yet reached the last stage. If the hon. member will give the particulars to the minister or myself or the chairman—

Mr. GILLIS: I have already given them.

Mr. TUCKER: —it will be looked into right away.

Even yet, I suggest, some consideration should be given by the house to extending the rehabilitation regulations to the Canadian merchant seamen. I believe the education benefits should have been extended. I believe some form of gratuity should have been given them. I am of course aware of the fact that the Department of Transport has set up a bonus system which is considered as a gratuity, but the nature of the requirements, the form of application and the procedure which the seaman has to go through restrict the scheme, in my opinion, to the point where very few men are benefiting by it. Of course we shall examine that under the minister's estimates.

Mr. SPEAKER: I am sorry to interrupt the hon. member, but he is not in order. He knows perfectly well that it is against the rules to refer to former debates in this house, and I understand that the matter he is talking about was discussed here some time ago.

Mr. GILLIS: Well, Mr. Speaker, on second reading of this bill we are discussing the principle, and I am objecting to the principle of the bill in leaving Canadian merchant seamen out of certain benefits which were granted to other auxiliary services under other bills. As I see it, this is the only opportunity I shall have to discuss the case for the merchant seamen, as part I of this bill deals specifically with Canadian merchant seamen.

Mr. SPEAKER: I am sorry to interrupt the hon. member, but he well understands that we have rules and I am obliged to call his attention to them. This subject was debated in the house some time ago. If, as he himself suggested, he wants to discuss this matter under part I or a specific section, that may be different, but he should wait until the house has resolved itself into committee. I think he is out of order in discussing this matter at present.

Mr. GILLIS: Mr. Speaker, if you make a ruling that I should discontinue discussing the matter now and take it up in committee I shall just have to abide by it.

Mr. TUCKER: I hesitated to say anything, because the hon. member who spoke was very cooperative in committee; but the only difficulty about it is that if he makes a speech on this, several other hon. members, who feel just as strongly about it as he does, will want to make speeches on it, and if we do not apply the rule to the hon. member of course we shall be faced with the possibility that the whole house may want to debate this question. The question before the house is the giving of pensions to these various groups. My hon. friend is of course discussing the question of other rights which he suggests should be given, and I submit that on the principle of giving pensions to these groups he is out of order in that discussion, especially since it has been dealt with by the Department of Transport in other legislation.

Mr. SPEAKER: I would point out to the hon. member that the motion actually before the house is that the Speaker do now leave the chair for the house to go into committee on the bill. That motion is not debatable. When an hon. member of the official opposition rose to speak I was under the impression that he intended to make simply a few brief remarks, and perhaps I should not have permitted him to go on. I must point out that the motion is not debatable.

Motion agreed to and the house went into committee, Mr. Macdonald (Brantford City) in the chair.

On section 1—Definitions: "Commission."

Mr. IRVINE: Mr. Chairman, I was not aware that this bill had been read the second time.

The CHAIRMAN: Yes. It was read the second time and there was a motion that the Speaker leave the chair for the house to go into committee of the whole. The house is now in committee on the bill. Shall section 1 carry?

Section agreed to.

Sections 2 to 4 inclusive agreed to.

On section 5—Definitions: "Canadian National."

Mr. GILLIS: I am not going to repeat what I have already said with regard to benefits granted Canadian merchant seamen. I merely reiterate that in my opinion the Canadian merchant seamen were overlooked by the veterans affairs committee in the matter of extending certain rehabilitation rights to them.

Mr. CRUICKSHANK: Only by some members of the committee.

Mr. GILLIS: That is right. The idea seemed to prevail that the Department of Transport was making the necessary provisions which would offset the complaint that these men have with regard to rehabilitation rights. That is not true. One bill presented to the house by the Minister of Transport had nothing whatever to do with the war. It was merely setting up a compensation scheme federally to take care of merchant seamen in the future, and it is equivalent to the regular

briefs and in evidence before the committee those who were sponsoring the cause of these different groups assured the committee of the valuable services which their particular group had rendered, told a thrilling story of the difficulties that they had experienced and the dangers they had run. The committee I am sure would join with me in saying that we marvelled at the heroism shown by these various civilian groups, and that we as soldiers, sailors and airmen would like to express our profound gratitude for what these civilian groups did to assist the armed forces and to assist this nation in winning the victory which she so well deserved.

Some of those who advocated the particular cause of a particular group with which they were associated may feel that they did not get for their group all the benefits that they would have like to have gained. If so I should like to assure the advocates of the group that it was not because they did not present their brief in an efficient and persuasive manner. But the committee on veterans affairs had to take a realistic and practical view of the situation. They assessed the dangers which had been run and the sacrifices which had been made, and then in committee they made the recommendations which are to-day embodied in this bill. I am not at all sure that practically every member of the committee might not feel that this or that group should have been given a few more benefits. But it is not my intention to-day to champion any lost causes. I feel personally that the members of these groups by and large will agree that the country has dealt generously with them, and in practically every case has given them benefits exceeding those which they expected to obtain when they offered their voluntary service in the first instance.

I want to refer only for a moment, first, to the Royal Canadian Mounted Police. I would ask the Minister of Veterans Affairs to investigate a little further the question of pensions to this gallant body of men, to see whether they are getting all that they are entitled to, in recognition both of their service in the mounted police and of the service which they continued when they went into the army, because they were the leaven which promoted the discipline of the whole of the Canadian corps. They were a well disciplined group, and they were responsible for insisting upon discipline being maintained. They did so from an efficient and broad point of view, and discipline came easy to a large number of civilian soldiers who had joined the army because of the example set and the method of controlling their activities as exercised by the members of the Royal Canadian Mounted Police who formed the personnel of No. 1 Provost Company overseas.

The other group I should like to refer to is the group of ladies who acted as V.A.D.'s, I think the term is, with the Red Cross and St. John Ambulance. I am referring particularly to the girls who served with the Canadian Red Cross. It has been brought to my attention that in the evidence given before the committee by the chairman of their corps he inadvertently made the statement that those girls when they were discharged received an allowance of $150 to buy civilian clothes. That, I believe, is an incorrect statement, and has been recognized as such by the assistant national commissioner of the Canadian Red Cross.

Mr. CLARENCE GILLIS (Cape Breton South): Mr. Speaker, I should like to say a few words about one particular classification which I think was overlooked by the veterans affairs committee. Unfortunately I have not been able to be in the house and I missed the latter part of the discussions in the committee because of being a member of the industrial relations committee.

In looking over all the bills which came out of the veterans affairs committee I found only one which makes any mention of merchant seamen: it is this bill 335, and all that it does is to give the merchant seamen the benefits of pension rights under the Pension Act. My conception of that particular problem when it was discussed before the veterans affairs committee was that it was to be referred to a special committee on auxiliary services, and that these men would be included in the auxiliary services bill for certain rehabilitation rights. Evidently there was some misunderstanding in the committee with regard to the disposition of the case of the Canadian merchant seamen. Personally I am disappointed that something was not done by the veterans affairs committee to grant to merchant seamen some at least of the rehabilitation rights which were granted to the armed services. As has been stated here on many occasions from all sides of this house, had it not been for the Canadian merchant seamen and the struggle they put up during the years of the war in getting supplies, munitions and so forth to Britain, the war might have lasted much longer, and perhaps a different story would have had to be written. I myself think that they made the greatest contribution of any section of the service to the winning of the war.

training and then joined the Canadian army, they would come within the provisions of this bill.

Mr. GREEN: They cannot qualify unless they were domiciled here.

Mr. TUCKER: Mr. Speaker, just so that we may not waste time on this I would point out to my hon. friend that that is not the purpose of this bill at all. The person must be domiciled in Canada before he enlists in order to get the benefits of this bill, and for my hon. friend to think that the Polish troops coming over here who were not domiciled in Canada before they joined the forces of our allies will get the benefits of this bill indicates that he has not read it carefully. It does not apply to them at all.

I would also point out that the very principle he mentions has been accepted—that of not giving benefits to people who were not domiciled in Canada before they entered the armed forces. The civil service commission to-day does not give a preference in appointment to anyone unless he was domiciled in Canada at the time he entered our forces or those of the allies. So the very thing he mentions has been accepted by the government in this legislation.

Mr. POULIOT: Mr. Speaker, as a rule when you are in the chair a member is allowed to finish before another member rises to make observations. I would say to the parliamentary assistant that the acceptance of the principle is no evidence that the principle is right. I find the principle wrong, and that is why I object to it.

With regard to the Poles, I know very well that they do not come under this bill, but the policy with regard to them is similar to the policy proposed in this bill. I repeat, Canada is becoming the dumping ground for the nations of the world and I regret it. There should be some examination before immigrants are allowed to enter this country.

Mr. G. A. CRUICKSHANK (Fraser Valley): Mr. Speaker, speaking for this group here—they are not here now—I want to explain why nobody could expect them to stay here and listen to the utter nonsense we have listened to from my hon. friend who is opposing this bill, which is to do something for the soldiers. I am just as anxious as the hon. member for Lethbridge (Mr. Blackmore) to conclude the business of the session so that we can get out of this hot weather, and I suggest, Mr. Speaker, that you call any member to order if he talks nonsense on any bill for the veterans.

[Mr. Pouliot.]

Mr. POULIOT: We have no lesson to receive from the hon. member for Fraser Valley.

Mr. CRUICKSHANK: Last year the hon. member said I would not be elected, and I trebled my majority.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Macdonald (Brantford City) in the chair.

On section 1—Short title.

Mr. POULIOT: Just one word in reply to the hon. member for Fraser Valley.

Some hon. MEMBERS: Order.

Mr. CRUICKSHANK: Let him go.

Mr. POULIOT: Before the election I said he would be defeated, but he was not because he was called the Jean-François Pouliot of British Columbia.

Section agreed to.

Sections 2 to 9 inclusive agreed to.

Bill reported, read the third time and passed.

CIVILIAN WAR PENSIONS

PROVISION FOR BENEFITS TO OTHER THAN MEMBERS OF ARMED FORCES

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs) moved the second reading of bill No. 335, respecting civilian war pensions and allowances.

Motion agreed to and bill read the second time.

Mr. MACKENZIE moved that Mr. Speaker do now leave the chair for the house to go into committee on the bill.

Mr. G. R. PEARKES (Nanaimo): Mr. Speaker, this bill covers a very wide group of persons who actively engaged in war work in various civilian capacities, ranging from merchant seamen and salt-water fishermen, personnel of the various auxiliary services which were helping the troops, members of the Royal Canadian Mounted Police, air raid precaution workers, members of civilian air crews and a large number of other groups.

Members of this house who were privileged to sit on the committee on veterans affairs listened to the briefs which were presented by the representatives of these various organizations. In every case their representatives told a story of high endeavour prompted solely by the loftiest of principles. The greatest reward which the individuals in these various groups expected to receive was the knowledge of a voluntary duty accepted and that duty efficiently and adequately performed. In their

It was of great value to the allied cause to have these different national units available when the liberation of Europe came about. Troops were identified as Polish, as Belgian, as French, as Norwegian, and as Dutch. It was a great thing for the nationals of those countries to feel that their own forces had been kept in being and that they had fought for freedom on the outside and were now coming to liberate their own countries. I understand that in a great many of these cases the government has endeavoured to arrange set-offs or reciprocal benefits with the countries with which we were allied. I hope the Canadian government and the Minister of Veterans Affairs will continue to arrange these reciprocal benefits.

It has been stated clearly that it is the government's intention that no man shall be included under these benefits who was not domiciled in Canada before going into the forces of an allied country, and that no man shall have these benefits if he does not indicate his intention to take up his domicile in Canada upon discharge from the forces. In other words, it takes into consideration only those members of the allied forces who were in Canada on September 10, 1939 and who have returned to Canada to make their homes here.

Mr. JEAN-FRANÇOIS POULIOT (Temiscouata): Mr. Speaker, this bill is another instance of the policy put into force by the Meighen government after the war to give preference to men who were not in the Canadian army and who were taking the place of good Canadians who were in the Canadian army. The definition of "allied veteran" is as follows:

"Allied veteran" means a person who, subsequent to the tenth day of September, 1939, served in the armed forces of any of the nations allied with His Majesty in active operations against the enemy in the war and who, at the time he joined any such forces, was domiciled in Canada.

This man may have come here simply to enlist. This thing was done in the first world war and it is being done in the second, on account of the promises that were made by the government. Sometimes men were not domiciled in Canada before the war, but were given the opportunity to come here and take advantage of all the benefits that were being offered to Canadians. One example is the 4,000 Polish soldiers who will be given benefits that are being refused to Canadians who were in the army.

I cannot understand why men who have fought under different colours, not even British colours, should be placed ahead of our own men who have worn the Canadian uniform. I mentioned not long ago that some benefits are being given to complete strangers. It is admitted that these men fought in the same cause against Germany and Japan; they may have fought quite well, but that is no reason for making Canada the dumping ground for all the nations of the world. I said that in one of the committee rooms adjacent to Westminster Hall. Why should Canada be the dumping ground for all the nations of the world? Why should we do more than any other nation for outsiders? It is a strange thing.

I think of those Canadian boys, big and small; I think of those young men full of hope who came here but who met with such poor success because every place was occupied, there were no more vacancies, they had been given to outsiders. They were told, "You Canadians go away; there is no room for you." That is the policy that has been sponsored by the civil service commission. When the member for Temiscouata presided over that committee he got all that information from the civil service commission, about men who had come from all over the world to take positions that rightly belonged to red-blooded Canadians.

I have no objection to a well-balanced immigration policy, but I do not think any immigrant should take the place of a Canadian. I do not think any outsider should take the place of a man who has the right to get all the benefits that this country may offer. When I say "Canadian" I want it to be understood that I do not mean only those who were born here; not at all. That is precisely the reason why I have never joined the Native Sons of Canada. I mean also those who may have been born somewhere else in the world but who have made Canada their country of adoption, their country of love, the country they want for themselves and for their children, the country in which they intend to establish themselves permanently. These things should not apply to the migratory birds who came here just to get some advantages, just to get rich quick and then return to their country of origin. We do not need those people; they are not desirable immigrants.

Mr. SPEAKER: I would direct the attention of the hon. member to the fact that the bill before us is not a bill dealing with immigration. It is an act respecting veterans of forces allied with Canada.

Mr. POULIOT: I know that, but you know very well that if they came here simply to enlist and get the advantages of the Canadian army, if they were sent from overseas for

Mr. BROOKS: If there is no objection to altering it, why not strike out the words "part I", and simply leave it to read "to be a 'veteran' within the meaning and for the purposes of . . . the War Veterans Allowance Act, 1946"? I am sure that it is limited by the inclusion of the words "part I".

Mr. MACKENZIE: The hon. member would use only the words "the War Veterans Allowance Act, 1946"?

Mr. BROOKS: Yes, so that there would be no doubt about it.

Mr. MACKENZIE: If my hon. friend will move that, I shall be pleased to accept it.

Mr. BROOKS: Very well. I move in amendment:

That the words "part I" in subparagraph (iv) of section 3 (a) be stricken therefrom, so that the words "The War Veterans' Allowance Act, 1946, and" shall remain the only words in the subparagraph.

Mr. MACKENZIE: I am prepared to accept that amendment.

Amendment agreed to.

Section as amended agreed to.

On section 4—Discharge rank for purposes of the War Service Grants Act, 1944.

Mr. POULIOT: Mr. Chairman, before we proceed further I should like to add a few words to the gracious remarks of the hon. member for Vancouver South (Mr. Green), who welcomed the hon. member for Rosthern and congratulated him upon his choice as leader of the Liberal party in the province of Saskatchewan. I know I am not strictly in order in making these observations on section 4 of the bill, but I believe I am more in order than some may think, because the act will be operated with the assistance of the hon. member, who has been the right arm of the minister for over a year.

I know the hon. member for Rosthern personally, and because of that I not only congratulate the hon. member but also the delegates upon their very good choice. The reason I am so well satisfied with the nomination of the hon. member to lead the Liberal party in Saskatchewan is that he is human, and understands the difficulties of the common man. He tries to redress wrongs when they are submitted to him. I shall not say that he always succeeds; I shall not call him a miracle man. But he is a man of good will, a man with deep convictions and a sincere desire to do his utmost, not only for his province but for the country as a whole. Therefore it is with the utmost pleasure and with real joy that I congratulate him and wish him success.

[Mr. Mackenzie.]

Section agreed to.

Sections 5 to 8 inclusive agreed to.

Bill reported.

Mr. MACKENZIE moved that the bill be read a third time.

Mr. SPEAKER: Is it the pleasure of the house that the bill be now read a third time?

Mr. POULIOT: On division.

Motion agreed to and bill read the third time, on division, and passed.

ALLIED VETERANS BENEFITS ACT

CANADIAN SERVICE MEN IN ALLIED FORCES AND THEIR DEPENDENTS

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs) moved the second reading of bill No. 328, respecting veterans of forces allied with Canada.

Mr. L. W. SKEY (Trinity): Mr. Speaker, I expect that the bill now before the house will prove uncontroversial, as the previous one did. If I may, for a moment or two, I should like to cover the reasons why I approve the introduction of this measure.

As I understand it, the bill is to make provision for the nationals of other countries who were allied with His Majesty and who joined the forces of the countries of their origin, being recruited in Canada with the permission and concurrence of the Canadian government, and—may I emphasize this—with the cooperation of the Department of National Defence. I see from the minutes of a previous meeting that it is designed to cover men who have been discharged from the Canadian active army as being unlikely to become efficient soldiers. I understand that in some cases that was owing to language difficulties. Some men of European origin had come to Canada only recently and understood little of our institutions, and it was thought that these men would feel more at home in the forces of their previous country. Actually some of these men were directed by the government and the Department of National Defence to join the forces of the country of their origin. According to the official government record this bill will cover 827 veterans. As I said, in most cases they were directed to those particular forces by army orders. In many respects the government is just honouring its obligation to these men because the Department of National Defence directed them to join up with those forces.

Mr. JAENICKE: The "service comparable" refers to the work a man was doing.

Mr. MACKENZIE: Of course.

Mr. JAENICKE: It does not refer to the country in which he must be enrolled, which is the United Kingdom, according to section 2.

Mr. MACKENZIE: That makes no difference at all.

Mr. JAENICKE: As I say, I am not satisfied. I do not see what harm it would do to amend either section 2 or section 7 to cover the persons who were enrolled in Canada on behalf of some other ally.

Mr. MACKENZIE: I can assure my hon. friend that the intent of the bill is to cover them, and the effect of the regulations will be to cover them.

Section agreed to.

On section 3—Deemed a veteran.

Mr. BROOKS: I thought it was understood that these operators would get all the benefits that a veteran would have. I notice that paragraph (a) (iv) of this section reads as follows: "Part I of the War Veterans Allowance Act, 1946." Why should they be included only in part I of the War Veterans Allowance Act? Why should they not have all the benefits of the act?

Mr. MACKENZIE: Because the other part referred to widows and orphans.

Mr. BROOKS: Should not the widows and orphans of these men have the same privileges as widows and orphans of other returned men?

Mr. MACKENZIE: They will.

Mr. BROOKS: They do not come under this act.

Mr. MACKENZIE: I am informed that they are cared for in the Veterans Allowance Act.

Mr. GREEN: I suggest this should be checked again. I do not see how the widow of one of these men could possibly get a benefit under the War Veterans Allowance Act, in view of the restriction in this section. This section covers only part I. If it is the intention to cover widows, then surely we should refer to parts I and II.

Mr. MACKENZIE: They are classified as veterans for the purposes of the act, and entitled to all the benefits therefrom. The widows automatically will then benefit. I am assured by my advisers that that is correct.

Mr. GREEN: The minister's advisers are not always right. We found that out in the veterans affairs committee. They did a good job, but they are not perfect.

Mr. MACKENZIE: Neither is the minister.

Mr. GREEN: Either the section should include parts I and II, or there should be no reference to part I, thereby simply making them subject to the provisions of the War Veterans Allowance Act. The very fact that part I is mentioned, with no mention of part II, prevents a widow getting the benefit of that part.

Mr. MACKENZIE: The widow inherits and possesses all the consequential benefits, I am informed.

Mr. GREEN: I would draw the attention of the minister to the wording of the section where it refers to a special operator being a veteran within the meaning and for the purposes of these acts. It would not be so bad if the words "and for the purposes of" were not included, but those words restrict the benefits of the section to part I of the War Veterans Allowance Act.

Mr. MACKENZIE: Which line is the hon. member referring to?

Mr. GREEN: I am referring to section 3 (a).

While I have been speaking I have noticed the entrance to the chamber of the hon. member for Rosthern (Mr. Tucker) and I avail myself of this opportunity to welcome him back. He is to be congratulated upon the new task he has undertaken as leader of the Liberal party in Saskatchewan, and I believe perhaps also to be pitied. From the personal point of view I wish him the best of luck, but from the political point of view I would wish him just the opposite.

We shall now proceed to attempt to straighten this section out. I was pointing out that section 3(a) which reads "(a) to be a 'veteran' within the meaning and for the purposes of . . . means that a veteran, or rather his widow, could not get the benefits under part II. That is, the widow of a veteran could not get the allowance under part II of the War Veterans Allowance Act.

Mr. MACKENZIE: My hon. friend may be right. It is probably a matter of technical and legalistic reasoning. But I am assured by those who drew this up, in conjunction with the Department of Justice, that widows are completely protected under the terminology of the bill as we have it. If there is any specific desire to alter it, I would have no objection, but I am assured that it is ample as it is.

as it was theirs, and a cause in which we joined almost as they joined, are on a par with the Canadians who served in the Royal Air Force and in other branches of the British forces as well as in the United States and other allied forces. Why anyone should dare to assume that the taxpayers of Canada—we are all taxpayers, and in these days that includes practically everybody—would desire that Canadians who risked their lives in a more real sense than anyone in any other branch of the service did should not be provided for, I do not know. The penalty of being caught was to be shot—some of them were—and we are not asking the Canadian people, for whom the hon. member for Temiscouata speaks so eloquently, to do anything for them.

This is a small bill, and as the minister said, the sum of money which is involved may be inconsequential. I take exception to blase suggestion that these men served their country in Britain. They served all the free people of the world. They served under extraordinary conditions, as the hon. member for Grey-Bruce has said. He has some knowledge of it because he served in the theatres of war. These people took the greatest risk. They did not have the trappings of uniforms; they did not even have the rank of a commissioned officer. They served with the rank of sergeant in the British army. They served voluntarily, having been selected by our own people to work with their allies and friends in the British and other armies. That is all that this bill amounts to. All this talk about the cost and that we are doing something for the British—God knows we should—is nonsense, when what we are doing is trying to give a decent deal to our own boys.

Mr. JAENICKE: I should like to say a few words with respect to the point raised by the hon. member for Royal. With great respect to the Minister of Veterans Affairs I cannot agree with him that section 7 covers the special operators who might have been enrolled in some other country, such as the United States, for service with the allies. Section 7 provides:

> The governor in council may make regulations . . . may declare any other person, who has had war service of a kind comparable with that of a special operator, to be a special operator . . .

I submit that it refers to the United Kingdom; that a special operator must have been enrolled by the United Kingdom government. If it is intended to cover operators who have been enrolled by any other country which was allied to Canada during the war, we must amend the bill to cover such persons.

[Mr. Mutch.]

Mr. MACKENZIE: I tell my hon. friend that the intention was to cover precisely the point which has been raised. The matter was referred to the Department of Justice, which helped us to draft the section as it now stands. It is the intent, and I am sure it will be the effect, to guarantee what he desires.

Mr. JAENICKE: Hon. members who are lawyers will agree with me that that is not the way in which the courts will interpret the act. Provision should be made either at the end of section 7 or in section 2, which we are now discussing, to cover the point I have raised. The section should be amended to read that it covers not only the United Kingdom but any other country with which Canada was allied during the war.

Mr. MACKENZIE: May I refer my hon. friend to paragraph 3 of the explanatory note, which says:

> It is understood that there are about fifty-one of these men now recorded with the Department of External Affairs, but as there is a possibility of some other persons of the kind or who saw similar service turning up later, it is deemed advisable that the governor in council be given power to provide for them in a similar way.

Mr. JAENICKE: The explanatory note will not be part of the law, nor will anything that the minister says in the house. The act will be interpreted as it is passed and assented to.

Mr. MACKENZIE: Section 7 empowers the governor in council to pass regulations, and I can assure him that all the reservations which he has in his mind will be amply protected in the regulations.

Mr. JAENICKE: The Minister of Veterans Affairs is a lawyer. Section 7 must be interpreted in the light of section 2. Section 2 refers to a special operator as one who has been enrolled in Canada by the United Kingdom authorities; therefore it does not cover any other country.

Mr. POULIOT: In accordance with what has been said by the minister and by my hon. friend who has just spoken, the hon. member for Winnipeg South will have to redraft his speech by striking it from the record.

Mr. MUTCH: I doubt that.

Mr. MACKENZIE: May I say to my hon. friend that this is purely a legal argument. I hate to be technical in these things.

Mr. JAENICKE: I think you should be.

Mr. MACKENZIE: If my hon. friend will read section 7 again, he will find the words "service of a kind comparable with that of a special operator" which protects any others.

men who run the country. We are often told it is the province of Quebec, the minority of Quebec, that runs the country. It is that minority of bigoted fanatics who may be counted on the fingers of both hands who try to impress the government, as R. B. Hanson did during the war—who did more to impress the government than any other member of the house; so much so that he was praised to the limit by the Prime Minister, the leader of the Liberal party, and so much so that when the Tories made him a gift of a silver platter on his retirement they inscribed on it praise and eulogy from the Prime Minister.

The CHAIRMAN: Order. I did not interrupt the hon. member for Temiscouata because I thought he should be allowed to reply to interruptions, but now that he has replied may I remind him and all members of the committee that the principle of the bill was approved on second reading and all remarks now should be strictly relevant to the clause under consideration.

Mr. MACKENZIE: These fifty-two men were all Canadians, all domiciled in Canada, some of them in the armed forces before they were selected for this special duty, and according to the laws of Canada for many years past Canadians who were domiciled in Canada before serving with the allied forces were entitled to all the benefits of other Canadians who served with our own forces. That is all this does. They are all Canadians, all among our own friends and comrades in the Dominion of Canada. That is all this bill seeks to do.

Mr. POULIOT: The question is not so much that of domicile as that of service. If they were serving in the Canadian army, it would be all right, but they were not under Canadian command. They were under British command, and it is precisely because their service was for the United Kingdom that the United Kingdom should pay them, whether they were domiciled in Canada or not.

Now I know very well that the press will come out with headlines: "Quebec member opposes grants for heroes who were picked out by the United Kingdom to serve in most difficult jobs during the war." It will come out like that. I do not oppose it because I come from Quebec, but because I find it nonsensical, and I would oppose it anywhere. I would speak outside the province of Quebec, speaking only to audiences of other origins than French, and say the same. It is not a question of race; it is a question of dollars and cents—

An hon. MEMBER: Publicity.

Mr. POULIOT: —and it is not because it is only fifty-two who will enjoy it that I protest. I protest against the principle of always doing more and more for other countries—not only for the United Kingdom but for other countries. Canada should be symbolized by a squeezed lemon on a white square. That would be the proper flag for Canada—a squeezed lemon on a white piece of paper. As I said, I shall be described not as a member of parliament, but as a Quebec member opposing the measure. We shall again be told that Quebec people are not loyal to the king and to the traditions of good citizenship because we use that freedom of language which is considered to be the cornerstone of constitutional democratic government. I know that that will be done because it has been done in the past, and those who inspire and support legislation of this kind with the power of strong voices are those who impress the government and rule the country.

I should like to have a truly liberal government, a democratic government, and not a government which takes its inspiration, not from Quebec or any other province of Canada, including Ontario, but from a group of fanatics who are not interested in this country and whose heart is overseas.

Mr. MUTCH: As a member of the house who comes from a part of Canada which is not Quebec I should like to assure the hon. gentleman at once that the people of the other eight provinces are too intelligent to judge Quebec by the kind of performance which he puts on in the house. I can say from knowledge that the gentlemen who are to be taken care of in this bill are Canadians domiciled in Canada and selected for duty which was exceedingly dangerous and highly confidential, and by the very nature of their work it was a question of win or die. The work which they were doing was such that no one could know where they were or who they were.

I should like to point out to the hon. member for Temiscouata, and to any other Canadian if there is one who thinks as he does, which I doubt, that it was not a Canadian war, a United States war, or a British war. It was an allied nations war in which we all combined to defend those things in which we believe and in which my hon. friend, in his more lucid moments, himself believes. There is no point in rising in our places to answer that type of argument, beyond saying that this committee should know what the committee on veterans affairs knows, namely, that these Canadians, who were directed in their service by the British government in a cause which was ours as much

Mr. HARRIS (Grey-Bruce): When this bill was introduced to the veterans affairs committee I formed an opinion, which I expressed at that time, on very little information. Since that time my opinion has been confirmed by additional information and further thought. I think this bill should be amended in some respects, although I am perfectly prepared to support it as it is. It provides benefits for persons who in this country enlisted for special purposes and at that time took the rank and pay of sergeant. It is my proposal and it is my opinion that we should increase that benefit to the rank of commissioned officer. Those of us who were in the armed services know very well that if our luck ran out we had perhaps two chances in five of surviving. These gentlemen had no chance at all, or little, if their luck ran out. I know quite well that the contract of enlistment was a contract with the United Kingdom authorities, and these persons accepted the rank and pay which were theirs at that time. The Canadian government has gone to the extent of granting them practically all the privileges of the Canadian soldier so far as things in Canada might go, but I believe the government and people of this country should properly reward these persons by increasing at the same time, by way of grant or otherwise, the benefits they obtained during the enlistment period from the rank of sergeant to that of commissioned officer.

Section agreed to.

On section 2—Definitions.

Mr. BROOKS: This clause gives the definition of special operator and says it means a person certified by the Under-Secretary of State for External Affairs as having been enrolled in Canada by the United Kingdom authorities. There were men enrolled in Canada by the United States authorities, and I understood the bill was to be amended so as to—

Mr. MACKENZIE: Is not that covered by section 7? The suggestion was made by the hon. member for Nanaimo in the committee, and the point is covered by section 7.

Mr. BROOKS: So long as it is understood that the section covers those men.

Mr. POULIOT: Will the minister tell us how much the bill will cost each year?

Mr. MACKENZIE: There are only fifty-two persons concerned, plus the three mentioned by the hon. member for Royal, who were engaged in special services through other agencies. Possibly there may be no cost at all, but the purpose of the bill is to give to these men, who were the bravest of the brave, who went into enemy territory by means of parachutes, and who did wonderful service for the cause of freedom for which all the nations were fighting, the opportunity of qualifying for the same benefits as if they had been members of the armed forces as such. That is surely clear and definite. There may be no cost, there may be some; it is impossible at the moment to forecast.

Mr. POULIOT: This is the same story. It is to give something to men who may have a very fine record—I do not discuss that—but who were not in the Canadian army. We paid the boys in the Canadian army when they were the only ones defending the shores of Great Britain after Dunkirk. We paid them, and we were the only dominion doing so. We did a lot for our boys when they were going all around and were under British command, and now we are paying men who have not been in the Canadian army but who should be fully rewarded by the United Kingdom government, especially because that government is much richer than we are now and because taxation is heavier in this country, all things considered, than it is in England.

Is it because men had a fine record that we should pay them? They must be paid by those for whom they were fighting; otherwise we could have a contest between the boys who have been fighting in all the united nations armies, in China as well as in Great Britain. This is not pay; this is an award for bravery. That is all right, but if the government is going to do something in that way, it has only to give them a decoration, and institute at last a Canadian decoration for these boys. I do not see why we should pay them. It is the same story. It is because they are not Canadians that they get something.

Some hon. MEMBERS: They are Canadians.

Mr. GREEN: They are all Canadians. That is the point.

Mr. MUTCH: May I interrupt the hon. gentleman to ask a question—

Mr. POULIOT: Absolutely no. I do not want to be interrupted. If the hon. member has something to say, he can say it afterwards. I hear that clamour. I should like every taxpayer in Canada to hear that clamour—

Mr. ROSS (Souris): So would we.

Mr. POULIOT: —when I protest on their behalf and when I say precisely what they are thinking. It is that small group of men, that small group of prejudiced and bigoted

Mr. POULIOT: What?

Mr. MUTCH: A nuisance.

Mr. POULIOT: I do not think much of what has been said. If I have been called a demagogue it is because I have referred to the promise of a million jobs that has been given to the veterans. That is demagoguery. I remind the house of the demagogic appeals which have been made in the past, and I warn the house that all this legislation is to redeem a pledge which cannot be redeemed.

Mr. MACKENZIE: Mr. Speaker, many of those fifty-two members were from the province of Quebec.

Mr. POULIOT: I will ask the hon. member to keep quiet and still; and he may boil, and he may boil again, but it will not impress me at all. I am here to do my duty.

Mr. MUTCH: Where there is no sense there is no feeling.

Mr. POULIOT: And if he speaks loud I can speak loud. I have a duty to do. I have a duty to try to awaken the members of the House of Commons to a sense of their responsibilities. It is a hard job, but I will try again to-day. I like my colleagues, I appreciate their good will—to use the words of the Prime Minister—and I do not despair of them. There is still a ray of hope for the future. I hope that some members will get away from racial prejudice—

Mr. MACKENZIE: Hear, hear.

Mr. POULIOT: And will think of Canada as their own country.

Mr. MACKENZIE: Hear, hear.

Mr. POULIOT: And that they will censure the Minister of Veterans Affairs (Mr. Mackenzie) for quoting those two lines from Canning and making them his own:

A statesman of the world alone,
A friend of every country but his own.

Incredible! It shows a mentality which has been deformed, the mentality of an intelligent and gifted man thinking of all other countries and forgetting his own. How many times must one repeat that, to put to shame the members of the House of Commons and make them see —those who were born in this country as well as those who were born outside it and have made Canada their country of adoption; that they must love it; that they have patriotism; that they must not have that false internationalist deformation of mind which has been the error of the past fifteen years. The members of this house will have to render account to the Canadian people of what has been done in this country, and when the time comes to vote, the vote will not be given by those outside of Canada, as was done in part during the war on account of our men and women being all over the world; the vote will be given by the Canadian people, who are suffering from taxation imposed to pay to that extravagant extravaganza of parliament during these years. What was the expectation of the Canadian taxpayer during the war? It was that he would have some relief as soon as the war was over. But what relief will he have when he has to redeem the foolish pledges of the Minister of Veterans Affairs, the pledge of a million jobs for the boys overseas who were to come here and find a horn of plenty in the great city of Ottawa, with a job for each of them, making them all civil servants, making them all bureaucrats, deforming their minds? Because the mind of the government was deformed, they wanted also to deform the minds of these enthusiastic boys who were coming, crowned with glory, from overseas and from all over the world.

I have nothing else to add on this, but I shall repeat the same thing on the other bills if I have the opportunity to do so; if it is not given to me I will take it.

Mr. T. L. CHURCH (Broadview): I wish for two or three minutes to refer to the principle of this bill. I have just now seen the text of it which applies to those whom the former minister of national defence, Mr. Ralston, said would get credits and gratuities, men who enlisted in Britain and went overseas at their own expense as active combatant soldiers. But this bill opens the door and extends privileges to fifty-one people who are now recorded with the Department of External Affairs, actually only civilians. I think that is a very wrong principle, to extend to civilians connected with the Department of External Affairs grants and gratuities and other allowances to actual combatant veterans who served at the front. I know something about that department, and much of what it did was unnecessary during the period of the war—a policy of separatism and isolation from the mother country. A good deal of its work did not meet with the approval of a large number of members of this house. Bills which give allowances and gratuities to soldiers and veterans who served overseas are most commendable, but to extend these concessions to a lot of civilians is, I contend, all wrong.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Macdonald (Brantford City) in the chair.

On section 1—Short title.

certain kinds of fruit from the United States. It was stated to me over the long-distance telephone that any duties operative, particularly on plums, have not been imposed quickly enough. I have not had time to check the details, but I am asking that the proper officials of the government be instructed to look into this matter at once, because it is urgent. I can give more details if required.

Mr. G. K. FRASER (Peterborough West): Mr. Speaker, following up the representations of the hon. member for Lincoln, may I point out that hampers of peaches are being brought into Canada which are found to be full of worms. I think the minister should check that and stop these importations at once.

Mr. CRUICKSHANK: Why don't you get some good ones from British Columbia?

Mr. FRASER: That is right.

SPECIAL OPERATORS

WAR SERVICE BENEFITS TO CANADIANS ENROLLED BY UNITED KINGDOM AUTHORITIES

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs) moved the second reading of bill No. 330, respecting benefits to certain persons who were recruited in Canada by United Kingdom authorities for special duties in war areas.

He said: Mr. Speaker, in formally moving the second reading of this bill, which I understand was unanimously recommended by the veterans affairs committee, may I say that it extends to special operators to the number of fifty-two, who were engaged on very secret duties in enemy countries, all benefits awarded to the members of the armed forces.

Mr. A. J. BROOKS (Royal): Mr. Speaker, the minister is quite correct in stating that in the committee there was unanimous consent to this bill, but it was on the understanding that an amendment would be made to the bill to include others besides the fifty-two whom the minister mentioned. As the bill reads, it is limited to those with the United Kingdom forces, but there were others who were attached to the United States forces and possibly one or two who went to the east. On the understanding that these will be included by an amendment, there is no objection to the bill.

Mr. JEAN-FRANCOIS POULIOT (Temiscouata): Mr. Speaker, I would like to quote two phrases from Canning as quoted by the Minister of Veterans Affairs (Mr. Mackenzie) the other day:

A statesman of the world alone,
A friend of every country but his own.

It is applicable to this very piece of legislation. Why should we have this bill before us to-day to pay for obligations of Great Britain, selecting men for war areas? A friend of every country but his own! I will ask the Minister of Veterans Affairs which is his country? If it is Canada, if he gives me that answer, I will say that it is unfortunate that he ignores his own country. In view of the legislation that has been sponsored in this house, not only on the recommendation of the veterans affairs committee but other legislation passed in the last fifteen years, I think that we should add to the letterhead of the note paper used by the members of the House of Commons precisely these two lines the minister quoted from Canning:

A statesman of the world alone,
A friend of every country but his own.

Those words should be written on every sheet of note paper that goes out through the mail from the House of Commons, in order to describe the mentality of those who have been framing and sponsoring legislation in this house for years.

If we read the title of this bill we see that it is "An act respecting benefits to certain persons who were recruited in Canada by United Kingdom authorities for special duties in war areas." They were not recruited by Canadian authorities. They were recruited by the United Kingdom.

Mr. ROSS (Souris): That is absolutely wrong.

Mr. MACKENZIE: No, through the Department of External Affairs.

Mr. POULIOT: In other words, it was done for them, done on their behalf, and the Department of Veterans Affairs acted as their agent.

Mr. MACKENZIE: No.

Mr. POULIOT: Then how is it that the title of the bill is not different from what it is?

Mr. MACKENZIE: They are all Canadians—good Canadians—brave Canadians.

Mr. POULIOT: Yes; "every country but his own".

Mr. MUTCH: No.

Mr. POULIOT: This is another piece of legislation of that kind; and if I have suffered mental cruelty, if I have suffered abuse and humiliation—

Mr. MUTCH: You are more than even.

Mr. POULIOT: —and if I have been called a demagogue before—

Mr. MUTCH: You are a nuisance.

members to work during the quiet, cool days of the year when they would have something like a chance to do the work that has to be done, the government insists on calling parliament every year at a time when we must face this almost unbearable situation; when members have to work themselves almost to death during the hottest part of the year in this city of Ottawa where the heat and moisture conditions are almost insufferable. We have to do it every year; and then we are called upon to add a burden to ourselves by working on Saturday as well. I heartily concur in what was said by the hon. member for Vancouver East (Mr. MacInnis). He was simply facing facts as they are, and we may as well face facts as they are. One thing I have never been able to understand is why it is that in the cool parts of the year, in February and March, we never sit on Friday night or on Wednesday night, and then at this time of the year we are asked to do this sort of thing.

Another thing to which we seriously object is that after it was agreed that we should speed up matters the government brought in a good many rather contentious measures and piled them on top of members of parliament right at a time when they were busy with committees and morning sittings, and when they had no chance to deal adequately with those measures.

Having said that, Mr. Speaker, I will repeat that we will fall in line, but we would ask the government if they cannot do something to end this absurd way in which the affairs of this country are now being carried on.

Mr. G. H. CASTLEDEN (Yorkton): Mr. Speaker, in opposing this motion I want to point out that during the early part of the session, when the debate on the address is before us, this house sits exactly twenty-four hours a week, at a time when there is no other business that the members can do, no committees meeting; and we carry on in that way month after month—

Mr. MACKENZIE: That is not right.

Mr. CASTLEDEN: We do not sit on Wednesday nights, and often not on Friday nights in the early part of the session, so that at that stage of the session we sit only from twenty-four to twenty-seven hours a week. Later in the session when four or five committees are at work the house starts sitting at eleven o'clock in the morning and carries on until eleven at night. That is when the strain is great. If we want to be consistent when we talk about expediting the business of the house, we should start to expedite it in the early part of the session. I am sure that would lead to more speed and efficiency.

Mr. MACKENZIE: If my hon. friend will look over the *Votes and Proceedings* for the present session he will find out that what I am about to say is true. Never in any previous session was the work of government advanced so rapidly as it has been during this session, even when the debate on the address was being carried on.

Mr. CASTLEDEN: I doubt it very much.

Motion agreed to.

BACON

BRITISH CONTRACT WITH DENMARK

On the orders of the day:

Mr. J. A. CHARLTON (Brant): Mr. Speaker, I should like to direct a question to the Minister of Trade and Commerce. In view of the announcement yesterday in the Ottawa *Journal* concerning British bacon contracts with Denmark at $5 a hundredweight higher than our price, would it not seem fair to the hog producers of Canada that the government should make some statement in that regard?

Hon. J. A. MacKINNON (Minister of Trade and Commerce): Mr. Speaker, this is a question for the Minister of Agriculture. I cannot say definitely that he will be back to-morrow but I am told that he may be. I shall bring the question to his notice, and he will no doubt deal with it immediately upon his return.

Mr. CHARLTON: In view of the fact that the Minister of Agriculture is absent I would direct the question to the Acting Minister of Agriculture or to the Acting Prime Minister.

Right Hon. L. S. ST. LAURENT (Acting Prime Minister): The Minister of Trade and Commerce has said that he will bring the matter to the attention of the Minister of Agriculture, and I am sure that an answer will be forthcoming just as soon as a proper one can be prepared.

FRUIT

IMPORTS FROM THE UNITED STATES—PLUMS AND PEACHES

On the orders of the day:

Mr. NORMAN J. M. LOCKHART (Lincoln): Mr. Speaker, arising out of information which reached me just twenty minutes ago I should like to direct a question to the appropriate minister. It would appear that the Canadian market is now being flooded with

opportunity as a party to consider it, but if I may speak as one member, I am quite agreeable to the minister's proposal. Is it the minister's thought that we should meet Saturday night as well as Saturday morning and Saturday afternoon?

Mr. ST. LAURENT: The motion was framed in such a way as to leave that decision to be arrived at on Saturday. We would sit on Saturday morning and proceed at least until six o'clock. At that time, or earlier, if hon. members express any special wishes about it we can determine whether we should adjourn at six o'clock or go on in the evening. I think hon. members will admit that it is as inconvenient for the government as it may be for any other hon. members to have such frequent sittings, because of the other work to which they have to attend, but the government wishes to meet the desires of the majority of hon. members in that regard. I do not think it necessary to determine now whether we should sit Saturday evening or not; that might be left to be determined on Saturday.

Mr. JEAN-FRANÇOIS POULIOT (Temiscouata): Mr. Speaker, I agree fully with the proposal made by the Minister of Justice, and I rise now to commend the persuasive and gracious manner in which he has sponsored the motion. It has not been considered a contentious matter, probably because of his skill in moving it.

Some hon. MEMBERS: Carried.

Mr. POULIOT: I hope the fine example of the right hon. gentleman will be followed by his colleagues, and also by my own who said "carried" just a moment ago.

Mr. ANGUS MacINNIS (Vancouver East): Mr. Speaker, I think the house is appreciative of the way in which the Acting Prime Minister has put this question before us. This group has had an opportunity to consider the matter and we are opposed to Saturday sittings. We are opposed to them for several reasons. First, we are not the people who take the long week-ends. The people who take the long week-ends and prevent anything being done on Fridays and Mondays throughout the whole session should not be talking now.

Mr. MacKINNON: You have no corner on that.

Mr. MACKENZIE: You are not members of the government. We are here on Saturdays, I can tell you that.

Mr. MacINNIS: There are twenty items, most of them important, on the order paper.

[Mr. Bracken.]

Another one was introduced this morning which also may be important. We do not know whether that is the last of the items that are to come before us. The great bulk of the estimates have yet to be passed. We do not believe that there should be unseemly haste in dealing with the business that is before this house, particularly when we are urging other people to assume their responsibilities in regard to matters pertaining to the welfare of the country.

With committees sitting, and with the house sitting from eleven o'clock in the morning until eleven o'clock at night, members have no opportunity to prepare themselves to deal properly with matters that come before us. It is only on Saturday and Sunday that we have an opportunity to catch up with our correspondence.

An hon. MEMBER: Do you work on Sundays?

Mr. MacINNIS: Yes, I work on Sundays.

An hon. MEMBER: Shame.

Mr. GILLIS: Why do you not pass an order in council and wind it up?

Mr. MacINNIS: There is one further matter. About two weeks ago we appointed a committee of this house to investigate a crisis which had developed in our economy. That committee should have an opportunity to hear all the evidence there is to hear, and make its report. Then I think there should be an opportunity for discussion of the matter in the house, because it is one of the most important matters before the people of this country to-day. I would say to those who want to get away that we have been here only from March 14.

Mr. ROSS (Souris): Where is your leader? What is he doing to-day?

Mr. MacINNIS: There have been only 147 days since the session began, which is a mighty short session for people who have been so generous to themselves.

Some hon. MEMBERS: Order.

Mr. MACKENZIE: I think after the most courteous and gracious submission of this resolution to the house it might be left to the free and unfettered judgment of the house, without whips and without pairs.

Mr. J. H. BLACKMORE (Lethbridge): Mr. Speaker, the members of our group are not going to take sides one way or another on this matter, but we would like to draw the attention of the government to something which rankles in our being. Instead of calling parliament in October and allowing hon.

It is also necessary to amend the rules regarding the retention of domicile to prevent duplication of registration by Canadian citizens who remain absent from Canada for extended periods. These rules have been recast and minor changes made in two sections for the purpose of clarification and to meet the present administrative machinery.

Motion agreed to and bill read the first time.

QUESTIONS

(Questions answered orally are indicated by an asterisk)

BIOLOGICAL RESEARCH IN AGRICULTURE—VANCOUVER AREA

Mr. FULTON:

1. Has the Department of Agriculture given consideration to the establishment of a biological laboratory in the province of British Columbia at or near Vancouver, B.C.?
2. If so, has the site been chosen?
3. What is its location?
4. Has an agreement been entered into for the purchase of the land?
5. If so, what is the consideration?
6. What are the specific objects for which this station is being established?
7. In connection with what specific types of agriculture, live stock, or produce is it intended to carry on biological research?

Mr. BERTRAND (Laurier):

1. A dominion laboratory of plant pathology was established on the university campus in Vancouver in June, 1946.
2. The university of British Columbia.
3. Point Grey.
4. No land has been purchased.
5. Answered by No. 4.
6. To provide farmers and gardeners with essential services connected with problems of plant diseases. The research programme will be built around the most pressing economic problems.
7. The production of field, fruit, vegetable and garden crops. We are also giving serious consideration to the establishment of laboratories of animal pathology and entomology in or near Vancouver.

STRAIT OF CANSO CAUSEWAY SURVEY

Mr. McGARRY:

1. Has the survey on the proposed construction of a causeway, bridge or tunnel over the strait of Canso been completed?
2. If so, has the location of this proposed structure been determined?

Mr. CHEVRIER: In so far as the Department of Transport is concerned:

1. No. Work on the borings in the central section of a possible site of a causeway is progressing.
2. No decision can be made with regard to the project or the location until the engineering survey and borings have been completed.

QUESTION PASSED AS ORDER FOR RETURN

INDIANS—SASKATCHEWAN

Mr. DIEFENBAKER:

1. What land was sold since the 24th July, 1902, (a) on Indian reserve No. 100 being the reserve of the James Smith band of Indians at Fort a la Corne, Saskatchewan, and on Indian reserve No. 100A being the reserve for the Cumberland band of Indians; (b) on the Chacastapasin Indian reserve No. 98?
2. Of the total amount of the sale, how much is owing to-day, and what amount thereof has been placed to the credit of these Indian bands?
3. How many acres of the lands so surrendered still remain unsold?

BUSINESS OF THE HOUSE

SATURDAY SITTINGS

Right Hon. L. S. ST. LAURENT (Acting Prime Minister) moved:

That on Saturday, the 10th August, 1946, and every Saturday thereafter until the end of the present session, the house shall meet at 11 o'clock, a.m., and the order of business and procedure shall be the same as on Fridays.

He said: Mr. Speaker, the purpose of the government in placing this notice of motion upon the order paper is not to force its acceptance upon the house but to provide an opportunity for members of the house to express their views as to whether or not it would be desirable to begin Saturday sittings on Saturday of this week.

Some hon. MEMBERS: Hear, hear.

Mr. ST. LAURENT: Several have expressed the view that as a large number of members remain in Ottawa over the week-end, it would expedite the business of the session if we began Saturday sittings this week. On the other hand, there is no desire on the part of the government to rush the work of the house. There is still some very important work to be considered and dealt with. I say again that the reason for placing this motion on the order paper to-day and presenting it to you, sir, is to give members of the house an opportunity of expressing their own views, because it would be the wish of the government to meet the views of the majority of members of the house in that regard.

Mr. JOHN BRACKEN (Leader of the Opposition): Mr. Speaker, judging from the reception of the minister's remarks I gather that there are some at least who favour the proposal. We on this side have had no

Amendment negatived: yeas, 22; nays, 38.

The CHAIRMAN: I declare the amendment lost. Shall section 25 carry?

Mr. JACKMAN: On section 25 the minister advanced the reason—

Some hon. MEMBERS: Six o'clock.

Progress reported.

LORD ADDISON

ANNOUNCEMENT OF VISIT OF BRITISH SECRETARY OF STATE FOR DOMINION AFFAIRS IN SEPTEMBER

Right Hon. L. S. ST. LAURENT (Acting Prime Minister): Mr. Speaker, if I may have the unanimous consent of the house I should like to make a brief statement on behalf of the Prime Minister.

When in London at a meeting of Prime Ministers in May last, the Prime Minister extended an invitation to the Right Honourable Viscount Addison, Secretary of State for Dominion Affairs and Leader of the House of Lords, to visit Canada as a guest of our government at a time convenient to him. I am pleased to inform the house that I have received from the Prime Minister word that Lord Addison will visit Canada during the parliamentary recess. It is expected that Lord Addison will reach Halifax early in September and that he will spend the month of September in Canada. Lord Addison will be accompanied by Lady Addison.

As hon. members are doubtless aware, Lord Addison is a leading British statesman of great experience. He assumed his present office on the formation of the Labour government a year ago and he has held high cabinet posts in various governments during the last thirty years. These include service as Minister of Munitions and as the first Minister of Health in Mr. Lloyd George's cabinet during and after the first world war and as Minister of Agriculture in 1930-1931. On his visit to Canada I am sure that he will receive a most cordial welcome from the Canadian people.

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

Thursday, August 8, 1946

The house met at eleven o'clock.

PRIVILEGE

MR. ST. LAURENT—REFERENCE TO ARTICLE IN "OTTAWA JOURNAL" OF AUGUST 7

Right Hon. L. S. ST. LAURENT (Acting Prime Minister): Mr. Speaker, I rise to speak to a matter of privilege, in the absence of the Prime Minister (Mr. Mackenzie King), and on his behalf. I raise this matter of personal privilege relating to a news item published in the Ottawa *Journal* of yesterday under the heading "Low charges Mr. King courted communists." This article is dated at Noranda, Quebec, August 6, and states:

[The Chairman.]

Solon Low, national leader of the Social Credit party, in an address here said Prime Minister King "deliberately courted the communist party in the 1945 federal election."

Mr. Low spoke in behalf of Real Caouette, Social Credit candidate in the September 16 federal by-election in Pontiac. The Pontiac vacancy was caused by the death of W. R. McDonald, Liberal.

Mr. Low said "the government of Canada is responsible for the shameful conditions we witnessed recently when so many government employees took the stand to admit loyalty to a government other than Canada."

He charged this was proof of the courtship of the communist party in 1945 and said ostensibly the party was outlawed in the early part of the war but later it was permitted, and as proof of government friendship a large number of civil servants of doubtful loyalty were hired in important posts.

I hope that this report is unfair to Mr. Low; I know it is unfair to the Prime Minister. I was closely enough associated with the Prime Minister before, during and after the 1945 campaign to enable me to state positively that there is no foundation for the allegation or insinuation that this report suggests.

STANDING COMMITTEES

First report of the joint committee of both houses of parliament on printing,—Mr. Emmerson.

INDUSTRIAL RELATIONS—CHANGE IN PERSONNEL

Hon. IAN A. MACKENZIE (Minister of Veterans Affairs) moved:

That the name of Mr. Bentley be substituted for that of Mr. Moore on the standing committee on industrial relations.

Motion agreed to.

IMMIGRATION ACT

AMENDMENTS FOR PURPOSES OF CONFORMITY WITH CANADIAN CITIZENSHIP ACT

Hon. J. A. GLEN (Minister of Mines and Resources) moved for leave to introduce bill No. 367, to amend the Immigration Act.

He said: Mr. Speaker, it is necessary to make certain amendments to the Immigration Act to bring it into conformity with the Canadian Citizenship Act, as the present definition of "Canadian citizen" in the former does not agree in some respects with the term "Canadian citizen" as defined in the citizenship act.

man selling his farm in Manitoba and going south, let us say, to live. At the present time he must get a permit. Not only must he go to the trouble of getting a permit but he must make a case satisfactory to the board I think some of the conditions suggested were illness on his own part, or family obligations, things which would make a sufficient human nature story for the board to be impressed by it and to grant him the permit. I suggest that is not necessary. I suggest that in a case of that kind there might very well be a small amount which a resident making a bona fide change might be entitled to take with him as of right. To me it is very important that there should be something here, some signal as it were of the desire to retrace our steps and to get back what freedom we may as quickly as is reasonable. Therefore I put this forward in the hope that this very small request—and I hope it is also a very human one—will receive support in various quarters of the house.

Mr. ABBOTT: My hon. friend raised the same point in the committee where he moved an amendment; and I do not think I can do better, in replying to him, than to repeat the statement I made on that occasion in which I gave the reasons why, in my opinion, I could not agree to the amendment. It will be found at page 196 of the report of the committee:

The position of the government with respect to these proposals is this.

That is, the proposals which my hon. friend has just made.

It believes that the continuation of foreign exchange control is necessary for the reasons given by the Minister of Finance in his statement on the resolution preceding the introduction of the foreign exchange control bill. It also believes that the system of exchange control which is established should be effective to accomplish its objects. The question of the circumstances under which and the amount to which capital may be exported from Canada is a matter of policy which must necessarily be determined by the government in the light of the general exchange position as it exists from time to time. The policy presently being administered by the foreign exchange control board —and it will be continued so far as possible— is a liberal one and the intention is to pursue as liberal a policy as the circumstances warrant. No one can predict what the foreign exchange position will be in the future, however, and if the present measure is to be effective in accomplishing its purposes the government must be free to change any of its foreign exchange control policies to meet changing situations as and when they occur. Accordingly the government cannot accept amendments to the foreign exchange control bill of the character proposed by Mr. Macdonnell, which would have the effect of limiting the government's ability to adapt its foreign exchange control policy in order to deal quickly and effectively with situations which may arise in the future.

For these reasons I must oppose the amendment.

Mr. MACDONNELL (Muskoka-Ontario): May I make one further and brief observation. This fully underlines what I said this morning and there is no suggestion that I was not right. There is no suggestion that I was not right in saying that the amounts are trivial, as they are; there is no suggestion that this cannot be done without danger. There is merely the reiteration that there must be complete power, that power must not be lessened in the slightest particular anywhere. Let us be quite clear; that is what we are voting for.

Mr. ABBOTT: If my hon. friend wishes to have me answer that I will do so and do it briefly. I do not say that these are trivial or unimportant. I say that if you give to any individual in this country who wants to move to the United States the right to take $15,000 with him, then, if it should become necessary to impose travel restrictions, as we had to do two or three years ago, it would be impossible to do it fairly and effectively without amending the law, which might necessitate the calling of a special session of parliament for the purpose. I simply wish to deny the statement made by my hon. friend that, by inference, I am agreeing to his assertion that such a provision would be unimportant, or would not in any way affect or handicap the efficient administration of the control measure. That in my judgment is not the case.

Mr. MACDONNELL (Muskoka-Ontario): May I make just one more observation which I think is relevant. In the committee I said, although it is not in my amendment, that I wished to make it clear that I am in good faith when I say that I do not want this to create any danger. If the minister would take the amendment and alter it, giving further power, if necessary, for the board to vary the figure, I would be perfectly content to accept it. To me it is a kind of symbol that some day we are going to begin to restore rights to the people. That is all I want it there for, and at the present time there is no right to anybody.

The CHAIRMAN: The hon. member for Muskoka-Ontario (Mr. Macdonnell) moves that clause 25 (1) (a) be amended by adding after the word "Canada" the following words: "provided that in the case of a bona fide change of residence a Canadian resident may without permit export an amount not exceeding $15,000". Those in favour of the amendment will say aye.

which is saddled on the people. The whole thing amounts to another cost of doing business and making it more expensive for people to live in Canada than in other countries.

Section agreed to.

On section 9—C. R. and Audit Act not applicable to account.

Mr. McMASTER: I should like to ask the minister why the provisions of the Consolidated Revenue and Audit Act shall not apply?

Mr. ABBOTT: That is the act which says that all receipts have to go into the consolidated revenue fund, so that in the case of a board of this kind the Consolidated Revenue and Audit Act is not applicable. But provision is made for an audit of the board's transactions by the auditor general.

Section agreed to.

Sections 10 to 22 inclusive agreed to.

On section 23—Payments by residents to non-residents.

Mr. HAZEN: This section states:

(1) No resident shall, except in accordance with a permit,

(a) pay, lend or otherwise dispose of Canadian currency to a non-resident.

A non-resident, under the interpretation clause of the act, means any person other than a resident. In view of that part of the section which I have read, and that definition, is not a business man in this country precluded from paying money or handing any money to a tourist who comes in here? As I read the section, that is one of its effects.

Mr. ABBOTT: Theoretically my hon. friend is right. That, of course, is covered by regulation. That is an obvious case in which there should be the general rule, and payments to tourists are excepted from that general provision.

Mr. McMASTER: Will it still be the law that you cannot deposit money in the bank to the credit of a non-resident without filling out that form?

Mr. ABBOTT: That is correct. That is equivalent to making a payment to a non-resident.

Section agreed to.

On section 24—Designation of currencies by the board.

Mr. JACKMAN: What are the designated currencies at the present time?

[Mr. Jackman.]

Mr. ABBOTT: I am advised, to the sterling area, sterling or Canadian dollars; to any other points, United States dollars.

Mr. JACKMAN: What would happen, then, if a Canadian importer wants to deal, let us say, with Guatemala; or, to make the case a little more difficult, let us say, with Greece, what is to be the situation there, particularly if those currencies do not happen to be convertible into one of the so-called designated currencies? Is the Canadian trader to be prevented from dealing with a Greek because Greek drachma do not happen to be convertible into United States currency or sterling?

Mr. ABBOTT: Yes: if he were selling to Greeks he would have to make his contract in United States dollars, or the drachma if that happened to be convertible into United States dollars.

Section agreed to.

On section 25—Property.

Mr. MACDONNELL (Muskoka-Ontario): In my remarks this morning I said there were two things, among others, in which we had sought to have slight changes. One was the question of time and the other was the introduction of some slight relaxation of the general rigidity of this bill. Without making any extended remarks, I just want to recall to the committee that I told them this morning that we suggested, in the case of a Canadian resident making a bona fide change of residence, a small amount should be allowed, to be fixed by the board. I have put it in an amendment, but I said I would be perfectly ready to have it left flexible. I wish to remind the committee, before I move this amendment, that the amounts involved are, I believe, comparatively trivial. I frankly confess that, in a sense, I am making this amendment as a kind of token or a beginning toward the lessening of the rigidity. Having said that, I will move an amendment to subsection 1, paragraph (a). It now reads:

(1) No person shall, except in accordance with a permit,

(a) export any property from Canada.

I move, seconded by the hon. member for Rosedale, the addition of these words:

provided that in the case of a bona fide change in residence by a Canadian resident he may without permit export an amount not exceeding $15,000.

I believe the practical significance of that is quite small. I gave an illustration this morning which I hope will come close to the minds of hon. members, the illustration of a

that large sums should be used to purchase foreign exchange to support a rate which is not justified. I agree with my hon. friend on that point. But under a system of exchange control that must be left to the exercise of the judgment of the board.

Mr. JACKMAN: To speculate.

Mr. ABBOTT: It is not speculation, but an exercise of judgment on the part of the authorities.

Mr. MACDONNELL (Muskoka-Ontario): Will the minister in his reading and studying of the Bretton Woods agreement consider this point, that nothing will contribute more to the success of that agreement than that the level of our currency should have a realistic relationship to the actual business conditions from day to day?

Section agreed to.

On section 8—Earnings paid into C.R.F.

Mr. JACKMAN: This clause has to do with the earnings of the board, which now are to be paid into the consolidated revenue fund, I am thankful to say, and are not to be allowed to revolve within the ambit of the board itself. But this is supposed to be a control measure, and not a tax-raising device. Under the War Measures Act, which has allowed the existence of this creature for the last five years, it has not been a control board alone but a tax-raising expedient. Let us look at the burden which this board has been to the Canadian public since its inception. From September 15, 1939, to December 31, 1940, it took out of the Canadian public $16,000,000.

Mr. ABBOTT: That was put on the record a moment ago, I think by the hon. member for St. John-Albert.

Mr. JACKMAN: It will not hurt to reiterate it.

Mr. ABBOTT: Perhaps they were different figures.

Mr. JACKMAN: I say that in that period $16,000,000 was taken out of the Canadian public, as a cost to business which is passed on in higher costs to the Canadian public. The profit on that was transferred to the reserve fund, which now is seriously dented by the mistakes leading to July 5 last. The board accumulated a surplus that year, 1940, of $8,900,000; and in the following years surpluses of $9,200,000 in 1941; $11,225,000 in 1942; $9,400,000 in 1943; $6,600,000 in 1944 and $3,841,000 in 1945. Yet this is supposed to be a control board and they are making all this money. No doubt they would point to it as a profit. But it is nothing more or less than an additional burden on Canadian business which must be passed on to the Canadian citizen. Not only is that bad enough in itself, but it arises from the fact that formerly one per cent was charged on the buying and selling rate. When a merchant wanted to deal in United States exchange or sterling the rate was one-half of one per cent. The rate should have been reduced to that figure years ago; but the bureaucrats seek to justify their salaries which are not published to the members of this house or known to the people of Canada. You can believe me that they are very adequate salaries; the jobs have no insecurity about them, and when these officials retire they are given a pension which is very adequate. The men, who are no doubt able in their particular fields, the bank and the exchange board, are very well paid, and apparently so well paid that it is none of our business or that of the people whom we represent and who put up the money for them. Of course, if they can show a paper profit, if they want to call it that, it looks well; it is a good thing; they may say they are making money for us, but let us go back one step and realize that this money—every cent of it—is coming out of the Canadian taxpayer.

Mr. ABBOTT: Supposing these same transactions had been carried out by the commercial banks; does my hon. friend think the profit would have been less?

Mr. JACKMAN: As has been pointed out to-day, I think, on the floor, and certainly was brought out by the committee, the star witness for the government said that on small transactions—by which, I suppose, is meant five to fifty dollars—the rate prevailing before the war under ordinary private banking practice was probably no smaller; but on the transactions which have to do with business, transactions the costs of which are passed on to the Canadian people, the rate was very much less. Instead of being half of one per cent, which again is fifty per cent of what the board charged a year ago, it used to be one-sixteenth or one-eighth, or at the most three-eighths.

Mr. ABBOTT: Yes, but I think the banks took positions on the exchange.

Mr. JACKMAN: Never mind. I am speaking of the cost to the Canadian public. You could either buy or sell within a one-sixteenth or a one-eighth spread. Now it is half of one per cent, and the result is shown not only in the costs of running this board but the costs of paying the banks, and the very large profit—that is, the so-called profit—

September 15, 1939, we had in Canada holdings of United States dollars and gold amounting to $393 million. This amount fluctuated at the end of each year, and I should like to give the round figures for the different years. In 1940 it was $404 million; in 1941, $332 million. Then we reached a low point on December 31, 1941, when we were hard pressed for money with which to purchase war supplies in the United States, and the fund got down to $187 million. The next year it had increased to $318 million; then $649 million and $902 million. On December 31, 1945, it was $1,508,000,000 in United States currency and gold. Apparently the tendency in recent years has been for this fund to grow about 60 per cent a year. It does not take very much compounding at that rate for the fund to grow out of all sensible proportions, and possibly a limit should be put on it. But the least we can expect is a statement of policy from the minister as to what the action of the board is likely to be. When this question was under discussion in the banking and commerce committee as to how much the board should have of the taxpayers' money with which to speculate in gold and United States currency I asked the expert witness whether it would make very much difference if $500,000,000 of this $1,500,000,000 were not held in the fund but held by Canadian individuals in the form of United States investments, and his answer was that it would not make a great deal of difference. The only difference that I could gather from his answer was that it is always nicer in a difficult time to have cash in the bank rather than assets in the form of securities which, while pretty readily convertible, are not just cash. There were days before central banking was instituted when one could not get cash and when securities were not of very much value; but those days have long since passed, particularly in view of the fact that we now have the Bank of Canada and its integration with the foreign exchange control board.

What would be the result if $500,000,000 of this $1,500,000,000 were held by private investors and not by the board? The difference would be that private investors in United States securities, if they were allowed to buy them, would be able to get a rate of 2½ to 4 per cent, whereas the Bank of Canada does not earn any such figure as that, probably not even one per cent on its balances. If individuals in Canada were allowed to own these United States securities they would be under the control of the board in just the same way as all other United States securities in Canada can, if necessary, be taken over by the board. I admit that an order in council or some other authority would be necessary to do that at the moment. Under the proposed bill individuals holding these United States securities could be made to report the same, and if these securities were not physically in Canada the individuals could be made to bring them over to this country. So that if the board would allow individuals to own some of these securities and would supply them with funds to acquire them we would have an income in United States dollars in Canada from these securities, which the board claims is badly needed. But only the board is allowed to purchase these United States securities with funds under its jurisdiction. There again is another evidence of the cost of this type of regulation to the Canadian public. But what I am chiefly concerned about is some indication of policy on the part of the government or the board as to how much of the unappropriated revenues of this country is likely to be taken for the purpose, as I say, of allowing the board to speculate in gold and United States currency.

Mr. ABBOTT: It is almost impossible to give an accurate estimate. It depends on circumstances as they exist from day to day. What is being done here is this. When an advance is made from consolidated revenue fund to the board it is in order that the board may purchase United States dollars or purchase gold. United States dollars are the dominating currency, and what the board is doing in effect when it gets an advance of $100,000,000, let us say, from consolidated revenue is to convert that into United States dollars. That was discussed before the banking and commerce committee. I gave substantially the same answer there, and it is the answer I must give to this committee.

Mr. MACDONNELL (Muskoka-Ontario): I appreciate the minister's difficulty, but I would ask this question which I think is not irrelevant. Reference has been made earlier to-day to the obligation we have under Bretton Woods. I am not going to go into that at length, although I do not agree with what was said. Under Bretton Woods we can, if necessary, depreciate our currency up to ten points merely by saying that we want to, or virtually so. I would think it undesirable that we should be in a position where we might just stubbornly stick to a certain parity that we started off with, with the idea that we must stick to it whether or no, and perhaps use large reserves in doing that. I wonder if the minister would say something as to that. There is a point there.

Mr. ABBOTT: I appreciate the point, and speaking as an individual member of the government I do not suggest for one moment

Mr. ABBOTT: I shall certainly look into it, although I do not know whether it is so or not. I would point out to my hon. friend something which he no doubt knows, that our exports are approaching a nearly all-time high and have been for some time. Without having the figures before me, I am not prepared to accept a general statement such as the hon. member for Victoria-Carleton has made, that millions of dollars worth of exports have been lost because of our exchange control policy. I have serious doubts as to whether that is an accurate statement.

Mr. MacNICOL: The minister knows very well that it is impossible to base any estimate upon our present condition of trade. We are exporting mainly raw products which are not available in other countries. We are fortunate to be able to obtain that business, but when normal times return this may not be the case.

Mr. HAZEN: The hon. member for Victoria-Carleton has pointed out that many potato exporters in New Brunswick have lost money because of the change that was made without notice in the value of the Canadian dollar on July 5. It has been brought to my attention that losses were also suffered by exporters in the maritime provinces, or at least in New Brunswick, who engaged in selling tinned fish. It seems to me that some provision should be made or some steps should be taken to protect these people and save them from loss. The report of the foreign exchange control board issued in March, 1946, shows on page 39 and following that for the years ending December 31 the board made the following profits:

1940	$8,915,000
1941	9,265,000
1942	11,225,000
1943	9,414,000
1944	6,659,000
1945	3,841,000

In view of those figures, it seems to me that the board might very well do something to compensate these people for the losses they have sustained by reason of the government taking this action without any notice.

Mr. ABBOTT: Would my hon. friend suggest that the board should get the credit on the imports?

Mr. HAZEN: No, I do not suggest that at all; I do not suggest they should. Do you?

Mr. ABBOTT: No, I do not, and I do not think they should pay the losses on the exports.

Mr. JACKMAN: As I recollect, there was some discussion in the committee that the board was to have the power to use for the purchase of gold and United States exchange any unappropriated moneys in the consolidated revenue fund.

Mr. ABBOTT: That is covered by section 7.

Mr. HAZEN: This section deals with the special account in the name of the Minister of Finance, known as the exchange fund account, established by the Bank of Canada pursuant to the Exchange Fund Act. The total assets in that account at the end of December 31, 1945, were $1,435,130,213.63, which is a large sum of money. Could the minister tell us how much of that money was seized from people of this country at the international boundary line and not returned to them?

Mr. ABBOTT: None of it.

Mr. HAZEN: Where did that money go that was seized?

Mr. ABBOTT: Any fines or seizures of that kind go directly into the consolidated revenue fund under the appropriate statute.

Section agreed to.

Section 6 agreed to.

On section 7—Advances out of C.R.F. to exchange fund account.

Mr. JACKMAN: While I do not intend to move an amendment by way of providing a ceiling, nevertheless I think the committee should be made fully aware of the power which is being given to the board through the Minister of Finance under this section. Under this section the minister may make advances to the exchange fund account; that is, the fund with which the exchange control officers speculate, out of unappropriated moneys in the consolidated revenue fund on such terms and conditions as the governor in council may prescribe. This board, through the minister and the governor in council, do not have to come to parliament if they want a $1,000 million. When we talk in figures like that we must realize that in my constituency there are taxpayers who pay a tax of twenty-two per cent after $750 if they are single, or after $1,500 if they are married. They are not eager to see the government drop $150,000,000, as they did on July 5, or more. May I point out to the committee how this fund has grown and why we should have some indication from the minister in charge as to how large this frog is going to expand itself, so that we may have an idea of how much of an encroachment it will make into the taxpayers' funds. On

Mr. HATFIELD: Then I must object to the continuation of regulations under this measure which will force exporters in this country to go to the expense of making out these forms, and which will require the exporter to make out the B form, one which is prepared in seven copies. Before making out these forms they have to make application and obtain permission to export goods. All this is unnecessary.

We always made out export papers which were required by the customs branch, and in those papers we stated the amount and value of the goods. These provisions set up by the foreign exchange control board have the effect of compelling exporters to add to their office staff. I am only a small exporter, but I have had to add four or five people to my staff to make out these forms. If one is going to export a cargo of goods from this country, and if he has about fifty consignees, days are required to make out these papers.

It is just a waste of paper and a nuisance to the exporter. We are an exporting nation, but we in the maritime provinces have lost sales of goods through the cancellation in July. The maritime provinces have lost sales amounting to millions of dollars. This is true particularly of the growers of certified seed potatoes, who were not as fortunate as the pulp and paper people. The market for seed potatoes in the United States and South America was limited, and we had to meet competition. The result has been that we have lost about half our market for certified seed potatoes in the United States, South America and South Africa because of the cancellation of the premium on United States funds, it has meant a loss of millions of dollars to the maritime provinces.

Mr. GRAYDON: Arising out of what was said by the hon. member for Victoria-Carleton, the minister made reference to forward contracts as distinguished from other types of contracts.

Mr. ABBOTT: Forward contracts for the purchase of exchange.

Mr. GRAYDON: I understand. Would it be correct or incorrect to suggest that the exporters who would have forward contracts would be the larger ones, while those without would be the little men?

Mr. ABBOTT: Not necessarily. My hon. friend will recall that in the days before the foreign exchange control board any exporter could hedge his sales in foreign exchange by making a forward purchase of foreign exchange.

Then, I do not know what the hon. member means by "the larger ones". I used to have a client who was a substantial tea importer and exporter, and who dealt extensively in foreign exchange. He always covered his commitments by purchases with his bank. Similar facilities are available to the trade to-day, under the conditions I outlined earlier, namely, that there must be definite commitments to pay a definite sum within a definite time. I do not think it would be fair to say that these arrangements are available only to the large exporters.

Mr. GRAYDON: I am not suggesting that, and I would not think that would be the case. But as it would work out in a practical way, I should think, as an onlooker of the argument, that the little fellow would be the one who would not have the money with which to purchase blocks of exchange that the big man would, and for that reason the little man in this case would be the greater sufferer instead of the larger exporter who would be in the business. I think the minister, on contemplation and reflection, will perhaps find that that assumption is correct.

Mr. ABBOTT: I am told that the cost of the protection referred to is only one-sixteenth of one per cent a month, which I would not think would be such as to preclude any reasonably solvent merchant from availing himself of this form of insurance.

Mr. HATFIELD: Any exporter could not take out a contract for more than three months. If I entered into a contract in May with a person in the United States for so many potatoes to be shipped this fall, I could get protection only up to three months. I could not enter into a contract for five months when the goods are going to be shipped, but other exporters can. The agents of the foreign exchange control board and the bankers have lists of preferred exporters. I tried to make a contract and I know.

Mr. MacNICOL: In former years I had a good deal to do with exporting. What the hon. member for Victoria-Carleton has said seems to me to be a serious statement. He has made the statement that the situation he is up against affects not only his business but has resulted in the loss of many millions of dollars of orders from South America. If that is so, that is an extremely serious situation. Anyone who knows anything about business knows that export trade is of great value to a country. If what the hon. member has said is so, I would think the minister or his department should rectify it.

with us, and appear to be unwilling to depart. Knowing many hon. gentlemen opposite as I do; having known some of them for many years, I know that legislation of the type under discussion is as disagreeable to them as it is to many who sit on this side. I cannot imagine that champions of freedom and liberty such as the hon. member for Vancouver Centre, who hails from the highlands and who sits in the front bench opposite, and my good friend, also from the townships, who is Minister of Finance for the moment, really rejoice in legislation of this nature; but I feel that they have been ensnared by a system of controls to which we resorted during the war, and that they have become so dependent upon this bureaucratic system that they cannot shake themselves free from it.

The United States, our nearest neighbour, a country with which our relations are intimate, a country whose development is somewhat ahead of ours, but a country whose activities have always had a profound influence upon our destinies, has shaken itself free from those controls with which it found it necessary to shackle itself during the period of the war. It has never saddled itself with the type of institution set up by the present bill. We are creating a difficult position for ourselves if we attempt to manage our currency and our whole economic system, and thus give rein to an intensive nationalism which will prevent ordinary intercourse between friendly nations. It was pointed out here this afternoon that if a farmer living on the border wishes to sell his farm and move across into the United States, in effect he cannot do so because he cannot take with him the amount necessary to buy a farm there.

Mr. IRVINE: Is that quite true? Might he not be permitted by the board to do so?

Mr. HACKETT: In special circumstances and with the permission of the board he might be permitted to go to the United States. This is an important matter for many people, particularly for those living along the international border. Those who are aware of the ease and facility with which people moved across the international boundary in the past, have found most galling the regulations enacted by the foreign exchange control board, which are perpetuated by this measure. Ultimately, misunderstanding and possibly bad blood will result from the enforcement of these regulations.

There is a growing tendency to dominate and to control the individual. I am not at the present time going to deal with the sections in the measure which are so extremely harsh in respect of the control of human conduct. My objection to the bill is that it takes away from individuals and institutions prerogatives and rights which belong to them, and places upon the government added burdens which it is not able to carry. If we benefit from the lessons of history, we are bound to know that such controls breed tyranny and revolution and must result in sorrow for the Canadian people and the loss of that freedom which has characterized our growth and development to this time.

Mr. HATFIELD: I want to know if protection to be given to exporters who, prior to a few weeks or days preceding July 5, had exported goods and had a contract with the foreign exchange control board under its B form to bring the currency back to Canada, and sell it to the board. Those exporters of goods sold with the expectation of receiving ten per cent on their money, and in some cases that ten per cent was more than the profit on the goods. In all fairness the government should have protected them. It is protecting a few privileged exporters, to the extent of $13 million of the country's money. Surely it should have protected exporters who sold goods on a distinct understanding, and who made a contract with the foreign exchange control board prior to July 5 to bring that money back. They carried out their conditions under the contract, but the foreign exchange control board failed to carry out its part of the contract.

Mr. ABBOTT: If they had a forward contract, which was open to everyone, they would be protected. But if they had simply filled out the B form, which is a notice that they intended to export and were going to receive payment in United States funds, they were taking the exchange risk themselves.

Mr. HATFIELD: Many of these exporters were not privileged to have a form of contract. The only exporters who were thus privileged were the exporters who had long-term contracts. It required about a month or two months to get a permit from the board to take out a forward contract. The procedure had to be taken up with one's banker. Certain exporters, such as those who export pulp and paper products, and some other privileged exporters, were the only ones who could take out forward contracts. The others could take it out for three months.

The CHAIRMAN: Does the section carry?

Mr. HATFIELD: No; I should like to have an answer.

Mr. ABBOTT: I have given the hon. member all the information I have on the subject.